

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

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**



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**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
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YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Diocesan Council of the Society of  
St. Vincent de Paul, Diocese of Phoenix  
Phoenix, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix, which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors  
The Diocesan Council of the Society of  
St. Vincent de Paul, Diocese of Phoenix

***Opinion***

In our opinion, the financial statements referred to above 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter Regarding a Change in Accounting Principle***

As discussed in Note 1 to the financial statements, The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new accounting standard changes the presentation of various classifications and disclosures within the financial statements. Our opinion is not modified with respect to that matter.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 11, 2020

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,124,003	\$ 2,057,431
Accounts Receivable, Net	147,797	119,765
Contributions, Pledges, and Grants Receivable, Net	3,499,493	2,011,641
Other Receivables	274,039	356,772
Investments	19,572,409	18,374,906
Inventories	2,041,340	1,592,668
Beneficial Interest in Remainder Trust	283,905	289,999
Beneficial Interests in Assets Held in Trusts	8,681,858	9,454,080
Assets Restricted for Capital Campaign:		
Cash	-	811,718
Pledges Receivable, Less Unamortized Discount	-	3,241,545
Land, Property, and Equipment, Net	20,477,025	19,534,827
Other Assets	296,476	238,932
	\$ 57,398,345	\$ 58,084,284
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 578,337	\$ 967,394
Accrued Expenses and Other Liabilities	924,414	822,411
Charitable Gift Annuities Payable	1,317,866	1,139,675
Note Payable	-	19,582
Total Liabilities	2,820,617	2,949,062
<b>NET ASSETS</b>		
Without Donor Restrictions	28,185,343	23,769,452
With Donor Restrictions:	26,392,385	31,365,770
Total Net Assets	54,577,728	55,135,222
	\$ 57,398,345	\$ 58,084,284

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
In-Kind Contributions	\$ 15,574,965	\$ -	\$ 15,574,965
Donated Merchandise	4,963,952	-	4,963,952
Bequests and Trusts Contributions	1,264,841	480,000	1,744,841
Contributions	11,351,814	995,328	12,347,142
Contributions - Capital Campaign	-	-	-
Government and Other Grants	2,970,254	1,833,226	4,803,480
Interest and Dividends	235,115	509,226	744,341
Unrealized and Realized Losses, Net	(302,804)	(1,000,486)	(1,303,290)
Change in Value of Charitable Gift Annuities	(135,589)	-	(135,589)
Earnings on Beneficial Interest in Assets Held in Trusts	364,949	-	364,949
Change in Value of Beneficial Interest in Assets Held in Trusts and Remainder Trust	-	(778,316)	(778,316)
Other	697,039	-	697,039
Net Assets Released from Restriction	7,012,363	(7,012,363)	-
Total Support and Revenues	<u>43,996,899</u>	<u>(4,973,385)</u>	<u>39,023,514</u>
<b>EXPENSES AND LOSSES</b>			
Program Services:			
Food Reclamation Center	9,940,659	-	9,940,659
Retail Operations	5,229,539	-	5,229,539
Food Services, Dining Room Ministry, and Urban Farm	6,311,915	-	6,311,915
Medical/Dental Clinic	6,749,396	-	6,749,396
Shelter Operations	1,377,841	-	1,377,841
Special Events and Projects	817,530	-	817,530
Conferences and Volunteers	979,343	-	979,343
Ministry to the Homeless and Homelessness Prevention	2,633,322	-	2,633,322
Total Program Services	<u>34,039,545</u>	<u>-</u>	<u>34,039,545</u>
Support Services:			
Management and Administration	2,023,693	-	2,023,693
Community Relations	992,662	-	992,662
Fund Raising/Development	2,529,054	-	2,529,054
Total Support Services	<u>5,545,409</u>	<u>-</u>	<u>5,545,409</u>
Total Functional Expenses	<u>39,584,954</u>	<u>-</u>	<u>39,584,954</u>
Gains:			
Gain on Disposal of Property and Equipment	3,946	-	3,946
Total Gains	<u>3,946</u>	<u>-</u>	<u>3,946</u>
<b>CHANGES IN NET ASSETS</b>	4,415,891	(4,973,385)	(557,494)
Net Assets - Beginning of Year	<u>23,769,452</u>	<u>31,365,770</u>	<u>55,135,222</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 28,185,343</u>	<u>\$ 26,392,385</u>	<u>\$ 54,577,728</u>

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
In-Kind Contributions	\$ 13,796,325	\$ -	\$ 13,796,325
Donated Merchandise	3,990,862	-	3,990,862
Bequests and Trusts Contributions	1,898,469	614,298	2,512,767
Contributions	10,004,792	2,982,249	12,987,041
Contributions - Capital Campaign	-	2,458,623	2,458,623
Government and Other Grants	2,439,021	1,831,254	4,270,275
Interest and Dividends	132,485	335,349	467,834
Unrealized and Realized Gains, Net	44,194	225,959	270,153
Change in Value of Charitable Gift Annuities	(56,524)	-	(56,524)
Earnings on Beneficial Interest in Assets Held in Trusts	482,933	-	482,933
Change in Value of Beneficial Interest in Assets Held in Trusts and Remainder Trust	-	46,045	46,045
Other	841,782	-	841,782
Net Assets Released from Restriction	11,063,788	(11,063,788)	-
Total Support and Revenues	<u>44,638,127</u>	<u>(2,570,011)</u>	<u>42,068,116</u>
<b>EXPENSES AND LOSSES</b>			
Program Services:			
Food Reclamation Center	8,827,676	-	8,827,676
Retail Operations	4,671,766	-	4,671,766
Food Services, Dining Room Ministry, and Urban Farm	5,855,054	-	5,855,054
Medical/Dental Clinic	5,836,232	-	5,836,232
Shelter Operations	1,719,903	-	1,719,903
Special Events and Projects	781,742	-	781,742
Conferences and Volunteers	1,090,914	-	1,090,914
Ministry to the Homeless and Homelessness Prevention	1,665,348	-	1,665,348
Total Program Services	<u>30,448,635</u>	<u>-</u>	<u>30,448,635</u>
Support Services:			
Management and Administration	1,696,193	-	1,696,193
Community Relations	811,167	-	811,167
Fund Raising/Development	2,439,379	-	2,439,379
Total Support Services	<u>4,946,739</u>	<u>-</u>	<u>4,946,739</u>
Total Functional Expenses	<u>35,395,374</u>	<u>-</u>	<u>35,395,374</u>
Gains:			
Settlement Income	167,349	-	167,349
Gain on Disposal of Property and Equipment	136,206	-	136,206
Total Gains	<u>303,555</u>	<u>-</u>	<u>303,555</u>
<b>CHANGES IN NET ASSETS</b>	9,546,308	(2,570,011)	6,976,297
Net Assets - Beginning of Year	<u>14,223,144</u>	<u>33,935,781</u>	<u>48,158,925</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 23,769,452</u>	<u>\$ 31,365,770</u>	<u>\$ 55,135,222</u>

See accompanying 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, 2019**

	Program Services								
	Food Reclamation Center	Retail Operations	Food Services, Dining Room, and Urban Farm	Medical/ Dental Clinic	Shelter Operations	Special Events and Projects	Conferences and Volunteers	Ministry to the Homeless and Homelessness Prevention	Total Program Services
Salaries and Benefits	\$ 594,787	\$ 3,155,409	\$ 1,947,524	\$ 1,911,412	\$ 895,672	\$ 215,901	\$ 742,342	\$ 556,717	\$ 10,019,764
Advertising	-	-	129	-	-	-	-	-	129
Council Direct Aid	-	-	-	-	-	218,898	-	-	218,898
Depreciation and Amortization	29,824	122,280	479,090	73,407	126,693	11,738	25,275	121,142	989,449
Direct Client Costs	196	-	72,407	209,553	76,550	144,765	298	1,509,599	2,013,368
Equipment and Supplies	47,861	110,272	307,610	62,211	60,666	8,259	33,137	28,684	658,700
Food	383,704	-	404,371	2,716	48	1,757	274	-	792,870
In-Kind Expenses	8,604,044	27,000	1,946,753	4,229,670	7,741	-	7,204	250,902	15,073,314
Insurance	24,759	67,239	56,570	29,222	16,621	7,787	6,743	9,499	218,440
Maintenance and Repairs	86,695	94,043	461,674	53,737	62,461	5,324	12,422	52,605	828,961
Miscellaneous	12,525	347,126	56,307	25,768	6,053	110,191	13,181	5,187	576,338
Outside Services	27,393	84,565	235,502	41,479	36,722	37,942	33,264	32,261	529,128
Printing	7,026	4,392	2,228	6,779	3,015	363	15,850	141	39,794
Rent	-	594,146	11,743	4,433	5,985	-	20,286	5,956	642,549
Security	2,551	17,933	15,034	3,750	5,110	175	974	2,424	47,951
Special Events/Projects	-	-	20,436	613	437	31,631	5,620	64	58,801
Telephone and Postage	12,292	60,389	42,516	19,253	18,502	6,877	21,109	11,450	192,388
Transportation Costs	49,712	300,207	31,458	4,165	11,373	6,154	3,281	3,430	409,780
Travel/Meetings	1,441	11,389	4,410	28,280	2,385	6,686	25,994	3,591	84,176
Utilities	55,849	233,149	216,153	42,948	41,807	3,082	12,089	39,670	644,747
<b>Total</b>	<b>\$ 9,940,659</b>	<b>\$ 5,229,539</b>	<b>\$ 6,311,915</b>	<b>\$ 6,749,396</b>	<b>\$ 1,377,841</b>	<b>\$ 817,530</b>	<b>\$ 979,343</b>	<b>\$ 2,633,322</b>	<b>\$ 34,039,545</b>

(Continued)

See accompanying Notes to Financial Statements.



**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2019**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and Benefits	\$ 1,329,553	\$ 193,943	\$ 1,253,658	\$ 2,777,154	\$ 12,796,918
Advertising	27,034	418,686	61,178	506,898	507,027
Council Direct Aid	-	-	-	-	218,898
Depreciation and Amortization	10,663	5,181	3,495	19,339	1,008,788
Direct Client Costs	-	50	-	50	2,013,418
Equipment and Supplies	100,369	32,310	56,466	189,145	847,845
Food	204	-	-	204	793,074
In-Kind Expenses	-	750	2,089	2,839	15,076,153
Insurance	6,865	3,319	12,509	22,693	241,133
Maintenance and Repairs	18,149	3,550	10,733	32,432	861,393
Miscellaneous	34,285	281	136,785	171,351	747,689
Outside Services	303,585	226,059	520,986	1,050,630	1,579,758
Printing	1,658	54,135	78,611	134,404	174,198
Rent	12,087	8,456	8,436	28,979	671,528
Security	1,795	532	917	3,244	51,195
Special Events/Projects	3,185	-	232,617	235,802	294,603
Telephone and Postage	32,155	42,306	86,170	160,631	353,019
Transportation Costs	2,089	121	800	3,010	412,790
Travel/Meetings	135,495	2,150	58,074	195,719	279,895
Utilities	4,522	833	5,530	10,885	655,632
<b>Total</b>	<b>\$ 2,023,693</b>	<b>\$ 992,662</b>	<b>\$ 2,529,054</b>	<b>\$ 5,545,409</b>	<b>\$ 39,584,954</b>

See accompanying 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, 2018**

	Program Services								
	Food Reclamation Center	Retail Operations	Food Services, Dining Room, and Urban Farm	Medical/ Dental Clinic	Shelter Operations	Special Events and Projects	Conferences and Volunteers	Ministry to the Homeless and Homelessness Prevention	Total Program Services
Salaries and Benefits	\$ 587,117	\$ 2,744,573	\$ 1,926,873	\$ 1,622,025	\$ 1,095,221	\$ 147,920	\$ 685,143	\$ 521,500	\$ 9,330,372
Advertising	-	24,418	-	-	-	-	-	-	24,418
Council Direct Aid	-	-	-	-	-	194,565	-	-	194,565
Depreciation and Amortization	25,059	100,891	434,738	37,575	7,793	11,499	25,533	42,535	685,623
Direct Client Costs	53	677	52,625	255,207	38,331	150,377	67	803,052	1,300,389
Equipment and Supplies	26,782	104,017	271,445	27,680	125,542	9,942	60,097	48,148	673,653
Food	175,954	-	555,059	1,391	5,030	382	1,134	-	738,950
In-Kind Expenses	7,704,304	265	1,681,329	3,679,527	202,492	23	10,867	113,997	13,392,804
Insurance	35,822	55,900	46,933	17,054	15,125	8,580	3,623	7,949	190,986
Maintenance and Repairs	139,851	150,871	361,553	39,972	86,274	3,582	12,890	47,104	842,097
Miscellaneous	14,957	215,637	40,573	13,793	14,346	132,495	20,179	6,956	458,936
Outside Services	7,383	198,662	178,871	38,766	9,538	65,536	54,910	8,443	562,109
Printing	4,409	4,986	1,586	1,183	608	2,728	13,269	149	28,918
Rent	-	569,874	-	-	-	-	-	-	569,874
Security	4,499	30,877	22,250	4,373	12,890	474	1,383	5,298	82,044
Special Events/Projects	-	-	20,735	1,055	3,112	25,294	3,274	-	53,470
Telephone and Postage	7,553	51,913	34,631	17,228	21,918	10,219	18,132	16,738	178,332
Transportation Costs	37,323	220,873	25,247	3,031	13,369	8,603	2,516	3,672	314,634
Travel/Meetings	621	12,821	17,449	53,079	5,131	3,752	124,935	5,034	222,822
Utilities	55,989	184,511	183,157	23,293	63,183	5,771	52,962	34,773	603,639
<b>Total</b>	<b>\$ 8,827,676</b>	<b>\$ 4,671,766</b>	<b>\$ 5,855,054</b>	<b>\$ 5,836,232</b>	<b>\$ 1,719,903</b>	<b>\$ 781,742</b>	<b>\$ 1,090,914</b>	<b>\$ 1,665,348</b>	<b>\$ 30,448,635</b>

(Continued)

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and Benefits	\$ 1,118,723	\$ 166,618	\$ 1,183,470	\$ 2,468,811	\$ 11,799,183
Advertising	1,108	345,107	51,641	397,856	422,274
Council Direct Aid	-	-	-	-	194,565
Depreciation and Amortization	13,416	3,700	2,956	20,072	705,695
Direct Client Costs	5	38	16	59	1,300,448
Equipment and Supplies	116,835	24,032	61,693	202,560	876,213
Food	-	-	-	-	738,950
In-Kind Expenses	15,367	35,759	4,853	55,979	13,448,783
Insurance	12,520	2,071	6,936	21,527	212,513
Maintenance and Repairs	9,975	1,964	8,908	20,847	862,944
Miscellaneous	37,002	1,258	119,574	157,834	616,770
Outside Services	257,383	81,947	602,277	941,607	1,503,716
Printing	2,706	108,004	62,653	173,363	202,281
Rent	-	-	-	-	569,874
Security	558	186	4,729	5,473	87,517
Special Events/Projects	-	354	154,272	154,626	208,096
Telephone and Postage	32,752	38,513	108,111	179,376	357,708
Transportation Costs	2,991	129	919	4,039	318,673
Travel/Meetings	70,036	771	61,756	132,563	355,385
Utilities	4,816	716	4,615	10,147	613,786
<b>Total</b>	<b>\$ 1,696,193</b>	<b>\$ 811,167</b>	<b>\$ 2,439,379</b>	<b>\$ 4,946,739</b>	<b>\$ 35,395,374</b>

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (557,494)	\$ 6,976,297
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization of Property and Equipment	1,008,788	705,695
Net Realized and Unrealized Loss (Gain) on Investments	1,303,290	(270,153)
Change in Value of Beneficial Interest in Remainder Trust	6,094	2,367
Net Distributions and Change in Value of Beneficial Interests in Assets Held in Trusts	772,222	(48,412)
Change in Discount to Present Value of Contributions Receivable	106,605	146,723
Change in Provision for Inventory Reserve	-	100,000
Contributions Restricted for Long-Term Investment	(980,526)	(2,901,590)
Contributions Restricted for Investment in Property and Equipment	-	(2,458,623)
(Gain) Loss on Disposal of Fixed Assets	(3,946)	(136,206)
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	(28,032)	45,519
Contributions and Grants Receivable	1,647,088	(963,567)
Other Receivables	82,733	(198,610)
Inventories	(448,672)	(437,452)
Other Assets	(57,544)	(99,764)
Accounts Payable	(389,057)	(163,475)
Accrued Expenses and Other Liabilities	102,003	(628,105)
Charitable Gift Annuities Payable	178,191	51,933
Net Cash Provided (Used) by Operating Activities	2,741,743	(277,423)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	2,019,508	4,598,821
Purchases of Investments	(4,520,301)	(7,055,454)
Proceeds from Sale of Property and Equipment	-	272,408
Purchases of Property and Equipment	(1,947,040)	(8,524,316)
Net Cash Used by Investing Activities	(4,447,833)	(10,708,541)

(Continued)

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Note Payable	\$ (19,582)	\$ (31,584)
Contributions Restricted for Investment in Property and Equipment	-	2,458,623
Contributions Restricted for Long-Term Investments	980,526	2,901,590
Net Cash Provided by Financing Activities	960,944	5,328,629
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(745,146)	(5,657,335)
Cash and Cash Equivalents - Beginning of Year	2,869,149	8,526,484
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,124,003	\$ 2,869,149
 Cash and Cash Equivalents consists of the following:		
Cash and Cash Equivalents	\$ 2,124,003	\$ 2,057,431
Cash Restricted for Capital Campaign	-	811,718
Cash and Cash Equivalents - End of Year	\$ 2,124,003	\$ 2,869,149
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Contributions of Stock	\$ 267,514	\$ 274,921
Contributions of Property and Equipment	\$ 68,000	\$ -
Cash Paid for Interest	\$ 545	\$ 2,861

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 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 provides food to the needy, medical, and dental services, and direct assistance to individuals through its Transient Aid Center, Ministry to the Homeless, Ministry to the Incarcerated/Families, Dining Room Ministry, Medical/Dental Clinic, Parish Conferences, and Shelter Operations, among other programs. The Council also accepts donated household and other items for distribution to the needy and for sale, primarily in its thrift stores.

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.

**Basis of Presentation**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations. The Council is required to report information regarding its net assets 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, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

*Net Assets With Donor Restrictions* – Net Assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Nonoperating activities include gains on the sale of assets, provisions for doubtful accounts, and settlement losses.

**Use of Estimates in the Preparation of Financial Statements**

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**

The Council considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Contributions Receivable**

Contributions receivable represent unconditional promises to give 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, 2019 and 2018.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments, consisting primarily of cash and cash equivalents, mutual funds, bonds and certificates of deposit, with readily determinable market values are measured at fair value as of year-end in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) are recognized in the statements of activities and changes in net assets.

**Inventories**

Inventories consisting of purchased and donated food, are stated at either their purchased value or at the estimated value per pound as determined by management based on a national association of food banks, which provides assistance and valuation of food commodities. Inventories consisting of retail products and medical supplies, are stated at the estimated sales value at the time of donation. Inventories increased by \$448,672 net of a \$100,000 provision for inventory reserve as of September 30, 2019, as compared to September 30, 2018. Inventories increased by \$337,452 net of a \$100,000 provision for inventory reserve as of September 30, 2018, as compared to September 30, 2017.

**Beneficial Interest in Remainder Trust**

The Council is the beneficiary of an irrevocable charitable remainder trust. Under the terms of the trust agreement, the Council is to receive interest payments annually over the specified terms in the trust agreement and a remainder interest in the assets at the end of the trust term. Upon the termination of the trust agreement, the remaining trust assets are distributed. The charitable remainder trust is carried at fair value.

**Beneficial Interests in Assets Held in Trusts and Community Foundation**

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. Nonperpetual trust investments are valued using the net asset value (NAV) per share (or its equivalent), as a practical expedient. Perpetual trust investments held by a third-party trustee, other than a community foundation, are valued at fair value based on upon quoted market prices, when available; and when not available, are recorded at estimated fair value. Perpetual trust investments held by a community foundation are valued at the investment percentage in the investment pool. 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 trust.

**Land, Property, and Equipment**

Land, 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. Property construction-in-progress is stated at cost and not depreciated. The property will be transferred to buildings and improvements upon completion. Depreciation is provided using the straight-line method over their respective useful lives, which range from 3 to 40 years.



**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019 and 2018.

**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 agreement. 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 statements of activities and changes 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.

**Contributions**

Contributions, grants, and bequests including unconditional promises to give, are recognized as either net assets without donor restrictions or net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Contributions of assets other than cash are recorded at their estimated fair value.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions (Continued)**

Contributions of services are recognized at their fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation.

**Government Grants**

Government grants generally cover a period of one year or less and may not coincide with the Council's fiscal year. Revenue from these grants are generally recorded when the Council has incurred expenditures in compliance with specific grant restrictions.

**Investment Gains and Losses**

Income and net gains and losses on investments of endowment and other funds are reported as increases or decreases in net assets without and with donor restrictions unless the terms of the gift require otherwise or the board of directors of the Council appropriates for expenditure.

**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).

The federal and state corporate informational tax returns of the Council are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they are filed.

**Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs such as utilities, insurance, depreciation, and certain repairs and maintenance costs have been allocated among the programs and supporting services benefited. The allocation methods used, aside from allocating direct costs, are based on square footage, full-time equivalents, and other appropriate methods, and are subject to a certain degree of estimation by management.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses (Continued)**

The Council, in its mission, performs eight program and three support service functions.

Program Services

Food Reclamation Center: Activities include collecting, cleaning, checking, sorting, and distributing the millions of pounds of food received each year.

Retail Operations: Activities of retail operations include operating eight retail stores throughout metropolitan Phoenix in which new and used clothing, furniture, and household goods are sold at bargain prices. Activities also include collecting and transporting retail donation to the various thrift stores. Additionally, direct assistance is provided to clients in need of clothing, furniture, and household items at no cost. Products are also provided to Council programs.

Food Services, Dining Room Ministry, and Urban Farm: Activities of food services and dining rooms include preparing, transporting to, and serving meals in the five charity dining rooms in metropolitan Phoenix, as well as preparing meals and providing produce and sack lunches for 28 dining locations operated by other nonprofit groups throughout Maricopa County. Other services provided by the dining room ministry include educational programs for children and parents, on-site referrals for additional assistance, and a special program offering homeless individuals job training and structure. Additionally, our urban farms activities include growing a variety of fruits and vegetables to be included in our prepared meals and added to food boxes for families.

Medical/Dental Clinic: Activities include providing various medical and dental services at little or no cost to the uninsured working poor. The services provided range from simple immunizations to surgeries, teeth cleaning to full mouth restoration, as well as medical and dental education, and diabetic nutritional counseling.

Shelter Operations: Activities include transitional shelter and programs for the homeless, elderly, and disabled adults while they work toward improving self-sufficiency; and temporary shelter service activities that include transforming one of our dining rooms into a safe place for homeless men and women to sleep at night.

Special Events and Projects: Activities performed to meet the mission and purposes of the Council, but which do not fall within the other functional categories.

Conferences and Volunteers: Activities include supporting the Parish Conferences, coordinating, and organizing approximately 15,000 volunteers that assist the Council in accomplishing the mission, and program related support relating to the various ministries of the Council.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses (Continued)**

Program Services (Continued)

Ministry to the Homeless and Homelessness Prevention: Activities of the transient aid center consist of helping travelers who are stranded in Arizona with transportation, gas and food, etc. as each case warrants, so that they may reach a viable destination. Activities of the homeless ministry consist primarily of enhancing the dignity of each individual who walks through the door. Services provided include one-on-one counseling and assistance, showers, haircuts, job referrals, and clothing. Activities of the incarcerated ministry include providing emotional support, financial support, and mentoring to families of the incarcerated and to newly released individuals to help them re-integrate into society.

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.

Community Relations: Activities include the communication of the purpose, activities, and services of the Council to its members and the public.

Fund Raising/Development: Activities performed by the Council for the generation of funds and/or resources to support its programs and operations.

**New Accounting Pronouncements – ASU 2016-14**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Council has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Reclassifications**

Certain items in the prior year financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on total assets or changes in net assets as previously reported.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 2 CONTRIBUTIONS, PLEDGES, AND GRANTS RECEIVABLE**

Contributions, pledges, and grants receivable include pledges, grants, and capital campaign pledges as of September 30, 2018, that have been discounted at a rate of approximately 3.00% at September 30, 2019 and 2018. The following is a summary of the contributions receivable at September 30:

Total receivables consist of the following:

	2019	2018
Contributions, Pledges, and Grants Receivable, Net	\$ 3,499,493	\$ 2,011,641
Capital Campaign Pledges Receivable, Net	-	3,241,545
Total Receivables, Net	<u>\$ 3,499,493</u>	<u>\$ 5,253,186</u>
Total Amounts Due in:		
One Year	\$ 2,195,000	\$ 2,765,298
Two to Five Years	1,695,000	2,985,000
Gross Contributions Receivable	3,890,000	5,750,298
Less: Discount to Present Value	(290,507)	(397,112)
Less: Allowance for Uncollectable Pledges	(100,000)	(100,000)
Total Receivables, Net	<u>\$ 3,499,493</u>	<u>\$ 5,253,186</u>

During the year ended September 30, 2019, certain donors who made capital campaign pledges allowed the Council to use their contributions for unrestricted purposes; therefore, there was no capital campaign pledge receivable balance as of September 30, 2019.

**NOTE 3 INVESTMENTS**

Investments consist of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 1,052,493	\$ 1,052,493	\$ 156,807	\$ 156,808
Mutual Funds and Stock	13,874,889	15,013,699	11,687,942	14,312,489
Bonds	1,374,141	1,395,325	1,928,345	1,890,902
Certificates of Deposit	1,849,211	2,110,892	2,033,414	2,014,707
Total Investments	<u>\$ 18,150,734</u>	<u>\$ 19,572,409</u>	<u>\$ 15,806,508</u>	<u>\$ 18,374,906</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Council uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The framework defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

A description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation framework follows:

**Investments**

The Council's investments are held in accounts with various brokerage firms. The fair value of these investments is readily available and is based upon market value. Equity securities and government issued securities listed on a national market or exchange, are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 and Level 2 of the valuation hierarchy.

**Beneficial Interests in Assets Held in Trust and a Community Foundation**

For two beneficial interest in assets held in non-perpetual trusts, the Council uses net asset value (NAV) per share, or its equivalent, an ownership interest in trust assets, as a practical expedient to estimate fair values of beneficial interests in assets held in trust, which do not have readily determinable fair values. These two beneficial interests in assets held in non-perpetual trusts are held by a third-party trustee and do not have redemption features or capital commitments. For one beneficial interest in assets held in a perpetual trust, the agreement is recorded at the fair value of the investments which are held by a third-party trustee and then adjusted for the Council's interest in the assets. The beneficial interest in assets held in a perpetual trust is classified within Level 3 of the valuation hierarchy. There are also funds held by the Catholic Community Foundation, Inc. (CCF) pool. The fair value of these funds is based on the Council's proportional interest in the CCF pool. The CCF pool is invested in cash, equity securities, bonds, and other investments. The investments in the CCF pool are classified within Level 3 of the valuation hierarchy.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Beneficial Interests in Assets Held in Remainder Trust**

The value of the beneficial interest agreement is recorded at the fair value of the investments which are held by a third-party trustee and then adjusted for the Council's interest in the assets. The beneficial interest in assets held in remainder trust is classified within Level 3 of the valuation hierarchy.

**Beneficial Interests in Assets Held in Remainder Trust (Continued)**

The following tables present assets measured at fair value by classification within the fair value hierarchy as of September 30, 2019 and 2018:

<u>September 30, 2019</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Mutual Funds:				
Equity Funds	\$ 6,113,082	\$ -	\$ -	\$ 6,113,082
Small Cap	6,375,738	-	-	6,375,738
Large Cap	2,524,879	-	-	2,524,879
Total Mutual Funds	<u>15,013,699</u>	<u>-</u>	<u>-</u>	<u>15,013,699</u>
Certificates of Deposit	-	2,110,892	-	2,110,892
Bonds:				
Government Bond	-	273,990	-	273,990
U.S. Treasury Note	1,121,335	-	-	1,121,335
Total Bonds	<u>1,121,335</u>	<u>273,990</u>	<u>-</u>	<u>1,395,325</u>
Total Investments at Fair Value	<u>\$ 16,135,034</u>	<u>\$ 2,384,882</u>	<u>\$ -</u>	18,519,916
Cash and Cash Equivalents				<u>1,052,493</u>
Total Investments				<u>\$ 19,572,409</u>
Beneficial Interest in Remainder Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,905</u>	<u>\$ 283,905</u>
Beneficial Interests in Assets Held in Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,950</u>	\$ 633,950
Investments Measured at NAV Basis				<u>8,047,908</u>
				<u>\$ 8,681,858</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Beneficial Interests in Assets Held in Remainder Trust (Continued)**

September 30, 2018	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Equity Funds	\$ 5,700,254	\$ -	\$ -	\$ 5,700,254
Small Cap	6,298,565	-	-	6,298,565
Large Cap	2,313,670	-	-	2,313,670
Total Mutual Funds	<u>14,312,489</u>	<u>-</u>	<u>-</u>	<u>14,312,489</u>
Certificates of Deposit	-	2,014,707	-	2,014,707
Bonds:				
Government Bond	-	254,395	-	254,395
U.S. Treasury Note	1,636,507	-	-	1,636,507
Total Bonds	<u>1,636,507</u>	<u>254,395</u>	<u>-</u>	<u>1,890,902</u>
Total Investments at Fair Value	<u>\$ 15,948,996</u>	<u>\$ 2,269,102</u>	<u>\$ -</u>	18,218,098
Cash and Cash Equivalents				<u>156,808</u>
Total Investments				<u>\$ 18,374,906</u>
Beneficial Interest in Remainder Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,999</u>	<u>\$ 289,999</u>
Beneficial Interests in Assets Held in Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 653,499</u>	\$ 653,499
Investments Measured at NAV Basis				<u>8,800,581</u>
Total				<u>\$ 9,454,080</u>

The following table presents a roll forward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended September 30:

	2019	2018
Beginning Balance	\$ 943,498	\$ 941,161
Total Gains and Losses (Realized/Unrealized) Included in Changes in Net Assets	(25,643)	2,337
Purchases	-	-
Ending Balance	<u>\$ 917,855</u>	<u>\$ 943,498</u>
Change in Unrealized Gains for the Period Included in the Change in Net Assets Related to Investments Held at End of Reporting Period	<u>\$ (25,643)</u>	<u>\$ 2,337</u>



**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 5 INVENTORIES**

Inventories consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Food	\$ 1,092,125	\$ 513,046
Retail Products	367,946	272,471
Medical and Pharmaceutical Supplies	581,269	807,151
Total Inventories	<u>\$ 2,041,340</u>	<u>\$ 1,592,668</u>

**NOTE 6 BENEFICIAL INTERESTS IN ASSETS HELD IN TRUSTS**

The Council is the sole beneficiary of the income earned on the assets of two irrevocable trusts that are held in perpetuity. 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.

The Council has also been named the beneficiary of assets donated to and invested by the Catholic Community Foundation. The assets are invested in perpetuity, the income from which will be paid to the Council, unless the Council directs the income to be added to the principal of the endowment. Neither the Catholic Community Foundation nor the Council has the ability to vary from the donor's restriction.

Beneficial interests in assets held in trusts consist of the following:

	<u>2019</u>	<u>2018</u>
Sole Beneficiary of Two Irrevocable Nonperpetual Trusts	\$ 8,047,908	\$ 8,800,581
Joint Beneficiary of One Irrevocable Perpetual Trust	169,703	177,062
Assets Held by the Catholic Community Foundation	464,247	476,437
Total Beneficial Interests in Assets Held in Trusts	<u>\$ 8,681,858</u>	<u>\$ 9,454,080</u>

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

	<u>2019</u>	<u>2018</u>
Gain (Loss) from the Change in the Fair Value of the Trusts' Assets	<u>\$ (772,222)</u>	<u>\$ 48,412</u>
Income from the Trusts	<u>\$ 364,949</u>	<u>\$ 482,933</u>

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**NOTE 7 LAND, PROPERTY, AND EQUIPMENT**

Land, property, and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 4,294,302	\$ 4,294,302
Building and Improvements	20,390,426	18,070,283
Equipment	4,002,796	3,187,648
Automobile and Trucks	697,536	786,946
Website/Software	388,099	441,841
Leasehold Improvements	52,806	167,556
Construction in Progress	-	1,537,682
Total	<u>29,825,965</u>	<u>28,486,258</u>
Less: Accumulated Depreciation and Amortization	<u>(9,348,940)</u>	<u>(8,951,431)</u>
Land, Property, and Equipment, Net	<u>\$ 20,477,025</u>	<u>\$ 19,534,827</u>

Depreciation and amortization expense was \$1,008,788 and \$705,695 for the years ended September 30, 2019 and 2018, respectively. Interest expense has not been capitalized on the construction in progress due to its immateriality to the financial statements as a whole.

**NOTE 8 HUMAN SERVICES CAMPUS, INC.**

The Council operates a facility adjacent to the Human Services Campus, Inc. (the Campus). The Campus provides leadership and high quality human services through various service providers including the Council to those in need. The Council also retains two seats on the board of directors of the Campus, not subject to Campus's 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 \$87,101 and \$80,739 during 2019 and 2018, respectively.

**NOTE 9 NOTES PAYABLE AND LINES OF CREDIT**

Note payable consists of the following at September 30:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Note payable to a financial institution, original amount of \$337,979; payable in monthly installments of \$2,870; including interest at 7.75%; through May 2019; secured by deed of trust. The note was paid off in 2019.	\$ -	\$ 19,582
Less: Current Maturities	-	(19,582)
Long-Term Maturities of Note Payable	<u>\$ -</u>	<u>\$ -</u>

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**NOTE 9 NOTES PAYABLE AND LINES OF CREDIT (CONTINUED)**

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 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, 2019 and 2018, there were no amounts outstanding under the line of credit.

In May 2018, the Council entered into a business loan agreement with a bank maturing April 2022. The business loan agreement has a maximum borrowing limit of \$2,000,000 and accrues interest at a fixed rate of 4.25% on outstanding advances. 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, 2019 and 2018, there were no amounts outstanding under the business loan agreement.

**NOTE 10 IN-KIND CONTRIBUTIONS**

The Council receives donated food, merchandise, pharmaceuticals, and supplies from grocery stores, businesses, individual donors, the Department of Agriculture (USDA), and through community food drives. The Council also receives medical, dental, and other professional services from qualified providers. Donated food, other than that provided by the USDA, is valued based on the estimated grocery store fair value. The USDA distributions and values are determined by the USDA. Donated merchandise is for program use and is valued at estimated fair value. The goods and procedures used by the Council's Medical/Dental Clinic are valued at rates approximating fair value.

In-kind contributions of food and other items for the years ended September 30 are as follows:

	<u>2019</u>	<u>2018</u>
Pounds Received from Grocery Stores and Food Drives	3,907,617	4,221,852
Pounds Received from USDA	3,291,856	660,313
Total Food Received in Pounds	<u>7,199,473</u>	<u>4,882,165</u>
Estimated Grocery Store Market Value (Per Pound) (Net of Spoilage Allowance)	<u>\$ 1.67</u>	<u>\$ 1.67</u>
Estimated Value of Food Received from Grocery Stores and Food Drives	\$ 6,525,720	\$ 7,050,493
Food Donated to our Dining Rooms and Kitchens	1,255,331	952,655
Estimated Value of Food Received from USDA	2,657,404	559,154
Total Food	10,438,455	8,562,302
Items for Program Use	920,702	1,109,741
Professional Volunteer Support	2,056,636	1,920,559
Medical/Dental Supplies and Procedures	2,091,172	2,203,723
Donated Fixed Assets	68,000	-
Total In-Kind Contributions	<u>\$ 15,574,965</u>	<u>\$ 13,796,325</u>

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**NOTE 10 IN-KIND CONTRIBUTIONS (CONTINUED)**

The Council utilizes volunteer services in all areas. The estimated value of volunteer services that require specialized skills and would otherwise need to be purchased are recorded as support and expense in the period provided. Professional services are contributed to the programs by various professionals in the medical, dental, legal, financial, and social work fields. In addition to the professional services, nonprofessional volunteer hours were contributed throughout the Council. Such services have not been recorded as revenue or expense in the accompanying financial statements. The service hours are shown below:

	<u>2019</u>	<u>2018</u>
Professional Volunteer Hours	26,467	22,631
Other Volunteer Hours	232,179	210,472

**NOTE 11 LEASE COMMITMENTS**

The Council enters into various operating leases for equipment and facilities. The Council operated five thrift stores under long-term leases. Facilities rent expense totaled \$671,528 and \$569,874 for the years ended September 30, 2019 and 2018, respectively.

The Council also enters into long-term leases for vehicles and other equipment for use in operations. Equipment and vehicle lease expense was \$161,376 and \$154,366 for the years ended September 30, 2019 and 2018, respectively.

Future minimum payments under all lease commitments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 544,036
2021	286,828
2022	234,106
2023	233,651
2024	230,178
Total	<u>\$ 1,528,799</u>

The operating leases expire at various dates through October 31, 2024; it is expected that in the normal course of business, leases that expire will be renewed or replaced with new leases.

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**NOTE 12 NET ASSETS, ENDOWMENTS, AND DESIGNATED FUNDS**

**Net Assets Without Donor Restrictions**

Board-designated net assets without donor restrictions 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 following are board-designated net assets without donor restrictions as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unrestricted Operating	\$ 25,811,194	\$ 22,833,537
Board-Designated Net Assets - Endowments	<u>2,374,149</u>	<u>935,915</u>
Total	<u>\$ 28,185,343</u>	<u>\$ 23,769,452</u>

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**NOTE 12 NET ASSETS, ENDOWMENTS, AND DESIGNATED FUNDS (CONTINUED)**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2019	2018
Subject to Expenses for Specified Purpose:		
Any Council Operations, Includes Pledge and Bequest		
Receivables of \$1,322,947 (2019) and \$776,820 (2018)	\$ 1,332,947	\$ 847,218
Capital Campaign Pledges	-	3,241,545
Capital Campaign Donations	-	811,718
Resources Center	85,394	-
Medical/Dental Clinic, Includes Pledges Receivable		
of \$749,930 (2019) and \$1,234,821 (2018)	890,792	1,444,424
Retail Operations	-	3,500
Dining Rooms and Food	135,739	241,474
Human Services Campus - Building	-	1,486,504
Total	2,444,872	8,076,383
Subject to Passage of Time:		
Pledge Receivables, Net	1,426,616	-
Beneficial Interest in Remainder Trust	283,905	289,999
Total	4,155,393	8,366,382
Endowments:		
Subject to Endowment Spending Policy		
and Appropriation:		
Earnings on Endowment Funds	878,750	1,849,451
Original Donor-Restricted Gift Amount to be		
Maintained in Perpetuity:		
Medical/Dental Clinic Operations	6,521,411	6,520,586
Ministries	480,000	60,000
Conference Endowment	1,323,079	828,048
Cuernavaca	28,100	26,100
General	2,808,030	2,745,359
Dining Room	250,500	250,500
Scholarship Fund	94,020	94,020
Total	12,383,890	12,374,064
Beneficial Interest in Assets Held in Trust:		
Providing Food and Shelter to the Needy	7,023,161	7,751,476
Any Council Operations	1,488,995	1,525,543
Dining Room Operations	169,702	177,061
Total Beneficial Interest in Assets Held in Trust:	8,681,858	9,454,080
Other:		
Human Services Campus (Land)	1,171,244	1,171,244
Total Donor-Restricted Net Assets	\$ 26,392,385	\$ 31,365,770

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**NOTE 12 NET ASSETS, ENDOWMENTS, AND DESIGNATED FUNDS (CONTINUED)**

**Net Assets With Donor Restrictions (Continued)**

Net assets of \$7,012,363 and \$11,063,788 were released from restrictions during 2019 and 2018, respectively, by meeting the time and purpose restriction of the gifts.

**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.

**Interpretation of Relevant Law**

The board of directors of the Council has interpreted the Arizona 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. Consequently, the Council classifies net assets with donor restrictions as:

- The original value of gifts donated to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council's board. In accordance with 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

Endowment net asset composition by type of fund as of September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Fund	\$ -	\$ 12,383,890	\$ 12,383,890
Board-Designated Endowment	2,374,149	-	2,374,149
Total	<u>\$ 2,374,149</u>	<u>\$ 12,383,890</u>	<u>\$ 14,758,039</u>

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**NOTE 12 NET ASSETS, ENDOWMENTS, AND DESIGNATED FUNDS (CONTINUED)**

Changes in endowment net assets for the year ended September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 935,915	\$ 12,374,065	\$ 13,309,980
Investment Return:			
Investment Income	68,504	509,226	577,730
Net Depreciation	(134,590)	(1,000,486)	(1,135,076)
Total Investment Return	<u>(66,086)</u>	<u>(491,260)</u>	<u>(557,346)</u>
Contributions	-	980,526	980,526
Board-Designated Contribution	1,504,320	-	1,504,320
Appropriation of Assets for Expenditure	-	(479,441)	(479,441)
Endowment Net Assets - End of Year	<u>\$ 2,374,149</u>	<u>\$ 12,383,890</u>	<u>\$ 14,758,039</u>

Endowment net asset composition by type of fund as of September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Fund	\$ -	\$ 12,374,065	\$ 12,374,065
Board-Designated Endowment	935,915	-	935,915
Total	<u>\$ 935,915</u>	<u>\$ 12,374,065</u>	<u>\$ 13,309,980</u>



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**NOTE 12 RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)**

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 888,528	\$ 9,409,419	\$ 10,297,947
Investment Return:			
Investment Income	28,311	335,349	363,660
Net Appreciation	19,076	225,959	245,035
Total Investment Return	<u>47,387</u>	<u>561,308</u>	<u>608,695</u>
Contributions	-	2,901,590	2,901,590
Board-Designated Contribution	-	-	-
Appropriation of Assets for Expenditure	<u>-</u>	<u>(498,252)</u>	<u>(498,252)</u>
Endowment Net Assets - End of Year	<u>\$ 935,915</u>	<u>\$ 12,374,065</u>	<u>\$ 13,309,980</u>

**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 without donor restrictions. There were no such deficiencies as of September 30, 2019 and 2018.

**Spending Policy**

The board of directors has adopted a policy of annually appropriating for expenditures 5% 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.

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**NOTE 13 EMPLOYEE BENEFIT 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 31<sup>st</sup> 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 \$385,516 and \$415,871 during the years ended September 30, 2019 and 2018, respectively.

**NOTE 14 CONCENTRATION OF RISK**

**Cash and Cash Equivalents**

The Council maintains all of its cash with high-credit quality financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The Council, in the normal course of business, maintains account balances in excess of the FDIC's insurance limits.

**Donation of Goods**

A majority of donated food received from grocery stores is from one provider.

**NOTE 15 RELATED PARTY TRANSACTIONS**

Accounts receivable of \$142,268 and \$92,731 as of September 30, 2019 and 2018, respectively, were due from other district councils and parish conferences.

The Council provides various means of support to various district councils. A service fee is collected from the district councils 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 is also provided to eligible district councils. Districts councils tithe 10% of their qualifying revenues to the Council.

Accounts payable of \$14,145 and \$8,466 as of September 30, 2019 and 2018, respectively, were due to the Society of St. Vincent de Paul National Office related to donations collected on behalf of the National Office.

The Council received a grant from an organization whose board of trustee member is an employee of the Council. The grant award totaled \$750,000, of which \$500,000 is included in contributions and grants receivable on the statement of financial position as of September 30, 2019.

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**NOTE 16 GOVERNMENT GRANTS**

The Council participates in federal and state-assisted grant and contract programs which are subject to financial and compliance audits. 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.

**NOTE 17 CAPITAL COMMITMENTS**

During the year ended September 30, 2018, the Council entered into a construction contract with an unrelated party in the amount of \$1,891,890 for the renovation of the medical and dental clinics. During the year ended September 30, 2019, the project was completed and construction in progress was properly classified as property and equipment.

**NOTE 18 LIQUIDITY AND AVAILABILITY**

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, 2019 and 2018, available to meet general expenses within one year of the statement of financial position date:

Financial Assets:	2019	2018
Cash and Cash Equivalents	\$ 2,124,003	\$ 2,057,431
Accounts Receivable, Net	147,797	119,765
Contributions, Pledges, and Grants Receivable, Net	3,499,493	2,011,641
Other Receivables	274,039	356,772
Investments	19,572,409	18,374,906
Assets Restricted for Capital Campaign:		
Cash	-	811,718
Pledge Receivable, Less Unamortized Discount	-	3,241,545
Total Financial Assets	25,617,741	26,973,778
Less: Contributions and Grants Receivable due in More Than 1 Year, Net	(1,304,493)	(2,487,888)
Less: Net Assets With Donor Restrictions, Unavailable for Expenses - Endowments	(12,383,890)	(12,374,064)
Less: Board-Designated Net Assets - Endowments	(2,374,149)	(935,915)
Add: Current Year Approved Endowment Funds Spending-Rate Appropriations	508,000	479,441
Financial Assets Available to Meet Cash Needs For General Expenses Within One year	\$ 10,063,209	\$ 11,655,352

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**NOTE 18 LIQUIDITY AND AVAILABILITY (CONTINUED)**

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.

Our 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.

Our board-designated endowments funds of \$2,374,149 as of September 30, 2019 are subject to an annual spending rate of 4% to 5% as described in Note 12. Although we do not intend to spend from these funds (other than amounts appropriated for general expenses as part of our board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Council also maintains two lines of credit to fund short-term liquidity needs, see Note 9.

**NOTE 19 SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 11, 2020, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2019, but prior to March 11, 2020, that provided additional evidence about conditions that existed at September 30, 2019, have been recognized in the financial statements for the year ended September 30, 2019. Events or transactions that provided evidence about conditions that did not exist at September 30, 2019, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended September 30, 2019.

**NOTE 20 NEW AUTHORITATIVE ACCOUNTING LITERATURE**

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue arising from contracts. The guidance requires the Council to recognize revenue to depict the transfer of goods or services in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts.

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**NOTE 20 NEW AUTHORITATIVE ACCOUNTING LITERATURE (CONTINUED)**

Additionally, qualitative and quantitative disclosures are required regarding contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Council for the year ending September 30, 2020; however, early application is permitted.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Council's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Council's financial statements.

The FASB issued ASU No. 2018-08 on June 21, 2018. This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities—Revenue Recognition*, should be followed. For exchange transactions, Topic 606, Revenue from Contracts with Customers, should be followed. To determine which guidance should be followed, grant documents have to be carefully analyzed. The standard will be effective for the Council for the year ending September 30, 2020; however, early application is permitted.

