

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

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019



CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	10
NOTES TO FINANCIAL STATEMENTS	
Note 1 Summary of Significant Accounting Policies	12
Note 2 Receivables	19
Note 3 Investments	19
Note 4 Fair Value of Financial Instruments	20
Note 5 Inventories	23
Note 6 Beneficial Interests in Assets Held in Trusts	23
Note 7 Land, Property, and Equipment	24
Note 8 Human Services Campus, Inc.	24
Note 9 Notes Payable and Lines of Credit	25
Note 10 In-Kind Contributions	25
Note 11 Lease Commitments	26
Note 12 Net Assets, Endowments, and Designated Funds	27
Note 13 Employee Benefit Plan	32
Note 14 Concentration of Risk	32
Note 15 Related Party Transactions	32
Note 16 Government Grants	33
Note 17 Liquidity and Availability	33
Note 18 Risks and Uncertainties	34
Note 19 New Authoritative Accounting Literature	35
Note 20 Subsequent Events	35



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, 2020 and 2019, 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, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
March 11, 2021

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019**

ASSETS	2020	2019
Cash and Cash Equivalents	\$ 7,065,646	\$ 2,124,003
Accounts Receivable, Net	218,118	173,991
Contributions, Pledges, and Grants Receivable, Net	6,506,712	3,499,493
Other Receivables	859,650	247,845
Investments	20,898,330	19,572,409
Inventories	2,195,287	2,041,340
Beneficial Interest in Remainder Trust	939,968	283,905
Beneficial Interests in Assets Held in Trusts	8,422,258	8,681,858
Land, Property, and Equipment, Net	19,828,795	20,477,025
Other Assets	491,578	296,476
	<u>\$ 67,426,342</u>	<u>\$ 57,398,345</u>
Total Assets	<u>\$ 67,426,342</u>	<u>\$ 57,398,345</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 782,760	\$ 578,337
Accrued Expenses and Other Liabilities	1,522,109	924,414
Charitable Gift Annuities Payable	1,396,119	1,317,866
Note Payable	2,362,000	-
Total Liabilities	<u>6,062,988</u>	<u>2,820,617</u>
NET ASSETS		
Without Donor Restrictions	30,253,137	28,185,343
With Donor Restrictions:	31,110,217	26,392,385
Total Net Assets	<u>61,363,354</u>	<u>54,577,728</u>
Total Liabilities and Net Assets	<u>\$ 67,426,342</u>	<u>\$ 57,398,345</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, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
In-Kind Contributions - Food, Medical, Dental, Other	\$ 13,391,422	\$ -	\$ 13,391,422
In-Kind Contributions - Donated Merchandise - Retail	4,066,998	-	4,066,998
Donated Merchandise Sales - Retail	4,164,843	-	4,164,843
Bequests and Trusts Contributions	334,562	532,500	867,062
Contributions	15,821,818	557,776	16,379,594
Government and Other Grants	4,620,043	7,803,247	12,423,290
Interest and Dividends	123,329	350,252	473,581
Unrealized and Realized Losses, Net	(86,240)	(536,554)	(622,794)
Change in Value of Charitable Gift Annuities	(60,916)	-	(60,916)
Earnings on Beneficial Interest in Assets Held in Trusts	234,479	-	234,479
Change in Value of Beneficial Interest in Assets Held in Trusts and Remainder Trust	-	396,463	396,463
Other	686,288	-	686,288
Net Assets Released from Restriction	4,385,852	(4,385,852)	-
Total Support and Revenues	<u>47,682,478</u>	<u>4,717,832</u>	<u>52,400,310</u>
EXPENSES AND LOSSES			
Program Services:			
Food Reclamation Center, Food Services, Dining Room, and Urban Farm	16,037,291	-	16,037,291
Retail Operations	9,144,098	-	9,144,098
Shelter Operations, Ministry to the Homeless, and Homelessness Prevention	5,106,392	-	5,106,392
Medical/Dental Clinic	6,388,776	-	6,388,776
Special Events and Projects	831,641	-	831,641
Conferences and Volunteers	1,894,808	-	1,894,808
Total Program Services	<u>39,403,006</u>	<u>-</u>	<u>39,403,006</u>
Support Services:			
Management and Administration	2,398,385	-	2,398,385
Community Relations	933,867	-	933,867
Fund Raising/Development	2,876,939	-	2,876,939
Total Support Services	<u>6,209,191</u>	<u>-</u>	<u>6,209,191</u>
Total Functional Expenses	<u>45,612,197</u>	<u>-</u>	<u>45,612,197</u>
Losses:			
Loss on Disposal of Property and Equipment	(2,487)	-	(2,487)
Total Losses	<u>(2,487)</u>	<u>-</u>	<u>(2,487)</u>
CHANGES IN NET ASSETS	2,067,794	4,717,832	6,785,626
Net Assets - Beginning of Year	<u>28,185,343</u>	<u>26,392,385</u>	<u>54,577,728</u>
NET ASSETS - END OF YEAR	<u>\$ 30,253,137</u>	<u>\$ 31,110,217</u>	<u>\$ 61,363,354</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, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
In-Kind Contributions - Food, Medical, Dental, Other	\$ 15,574,965	\$ -	\$ 15,574,965
In-Kind Contributions - Donated Merchandise - Retail	4,675,000	-	4,675,000
Donated Merchandise Sales - Retail	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
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 Gains, 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>48,671,899</u>	<u>(4,973,385)</u>	<u>43,698,514</u>
EXPENSES AND LOSSES			
Program Services:			
Food Reclamation Center, Food Services, Dining Room, and Urban Farm	16,252,445	-	16,252,445
Retail Operations	9,904,539	-	9,904,539
Shelter Operations, Ministry to the Homeless, and Homelessness Prevention	4,011,163	-	4,011,163
Medical/Dental Clinic	6,749,396	-	6,749,396
Special Events and Projects	598,632	-	598,632
Conferences and Volunteers	1,198,241	-	1,198,241
Total Program Services	<u>38,714,416</u>	<u>-</u>	<u>38,714,416</u>
Support Services:			
Management and Administration	2,023,693	-	2,023,693
Community Relations	992,791	-	992,791
Fund Raising/Development	2,529,054	-	2,529,054
Total Support Services	<u>5,545,538</u>	<u>-</u>	<u>5,545,538</u>
Total Functional Expenses	<u>44,259,954</u>	<u>-</u>	<u>44,259,954</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>
CHANGES IN NET ASSETS	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>
NET ASSETS - END OF YEAR	<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 FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services						
	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
Salaries and Benefits	\$ 3,098,413	\$ 3,068,628	\$ 1,475,989	\$ 2,090,359	\$ 226,540	\$ 854,836	\$ 10,814,765
Advertising	-	-	-	-	-	-	-
Council Direct Aid	-	-	-	-	-	491,720	491,720
Depreciation and Amortization	487,498	90,003	267,447	174,103	38,049	18,847	1,075,947
Direct Client Costs	123,710	3,063	2,669,648	275,561	144,217	71,071	3,287,270
Equipment and Supplies	300,940	78,429	59,037	47,982	24,797	107,584	618,769
Food	1,507,912	-	7,427	986	523	5,887	1,522,735
In-Kind Expenses	9,103,366	4,136,062	237,396	3,530,717	259,196	5,742	17,272,479
Insurance	37,042	40,904	15,282	46,420	8,211	17,830	165,689
Maintenance and Repairs	627,069	145,421	159,331	80,544	27,778	11,363	1,051,506
Miscellaneous	88,556	388,564	33,334	54,632	86,522	210,513	862,121
Technology	9,214	29,289	1,506	4,256	3,296	8,662	56,223
Outside Services	46,578	43,954	4,375	20,629	1,504	41	117,081
Printing	4,429	5,028	10,620	2,461	612	18,407	41,557
Rent	-	501,761	-	-	-	-	501,761
Occupancy	52,488	16,576	11,823	1,622	108	685	83,302
Special Events/Projects	10,988	-	-	-	-	18,810	29,798
Transportation Costs	191,479	342,917	25,369	6,190	947	5,119	572,021
Travel/Meetings	16,958	13,703	4,961	4,452	1,165	25,213	66,452
Utilities	330,651	239,796	122,847	47,862	8,176	22,478	771,810
Total	\$ 16,037,291	\$ 9,144,098	\$ 5,106,392	\$ 6,388,776	\$ 831,641	\$ 1,894,808	\$ 39,403,006

(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, 2020**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and Benefits	\$ 1,647,180	\$ 243,834	\$ 1,558,817	\$ 3,449,831	\$ 14,264,596
Advertising	121	333,748	418,460	752,329	752,329
Council Direct Aid	-	-	-	-	491,720
Depreciation and Amortization	9,768	542	9,826	20,136	1,096,083
Direct Client Costs	1,900	-	-	1,900	3,289,170
Equipment and Supplies	49,714	5,732	21,024	76,470	695,239
Food	-	-	-	-	1,522,735
In-Kind Expenses	28	9	-	37	17,272,516
Insurance	7,231	1,405	5,579	14,215	179,904
Maintenance and Repairs	14,012	1,858	13,122	28,992	1,080,498
Miscellaneous	49,586	6,523	219,139	275,248	1,137,369
Technology	306,677	13,492	53,381	373,550	429,773
Outside Services	223,290	314,749	277,801	815,840	932,921
Printing	7,678	602	46,909	55,189	96,746
Rent	-	-	-	-	501,761
Occupancy	348	43	3,598	3,989	87,291
Special Events/Projects	-	3,327	206,480	209,807	239,605
Transportation Costs	2,468	330	555	3,353	575,374
Travel/Meetings	48,058	3,242	28,218	79,518	145,970
Utilities	30,326	4,431	14,030	48,787	820,597
Total	\$ 2,398,385	\$ 933,867	\$ 2,876,939	\$ 6,209,191	\$ 45,612,197

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, 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
Salaries and Benefits	\$ 2,542,311	\$ 3,155,409	\$ 1,452,389	\$ 1,911,412	\$ 215,901	\$ 742,342	\$ 10,019,764
Advertising	-	-	-	-	-	-	-
Council Direct Aid	-	-	-	-	-	218,898	218,898
Depreciation and Amortization	508,914	122,280	247,835	73,407	11,738	25,275	989,449
Direct Client Costs	72,603	-	1,586,131	209,553	144,765	298	2,013,350
Equipment and Supplies	358,453	86,936	97,713	66,644	8,259	50,716	668,721
Food	788,075	-	66	2,716	1,757	274	792,888
In-Kind Expenses	10,550,797	4,702,000	258,643	4,229,670	-	7,204	19,748,314
Insurance	41,875	26,923	10,295	23,907	6,252	4,168	113,420
Maintenance and Repairs	477,215	55,783	101,391	48,986	4,622	11,200	699,197
Miscellaneous	39,036	354,342	6,358	24,918	110,191	13,181	548,026
Technology	8,761	15,552	3,578	-	-	2,707	30,598
Outside Services	262,895	84,565	68,983	41,479	37,942	33,264	529,128
Printing	9,469	4,451	3,877	6,916	395	20,824	45,932
Rent	-	592,526	-	-	-	-	592,526
Occupancy	47,381	20,121	12,416	4,600	175	974	85,667
Special Events/Projects	20,436	-	501	613	31,631	5,620	58,801
Transportation Costs	191,778	378,783	44,303	14,231	8,391	7,078	644,564
Travel/Meetings	5,851	11,389	5,976	28,280	6,686	25,994	84,176
Utilities	326,595	293,479	110,708	62,064	9,927	28,224	830,997
Total	\$ 16,252,445	\$ 9,904,539	\$ 4,011,163	\$ 6,749,396	\$ 598,632	\$ 1,198,241	\$ 38,714,416

(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	418,815	61,178	507,027	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	2,013,400
Equipment and Supplies	23,208	40,766	64,902	128,876	797,597
Food	-	-	-	-	792,888
In-Kind Expenses	-	750	2,089	2,839	19,751,153
Insurance	6,401	3,164	11,488	21,053	134,473
Maintenance and Repairs	17,735	3,412	10,733	31,880	731,077
Miscellaneous	34,285	281	136,785	171,351	719,377
Technology	89,248	-	-	89,248	119,846
Outside Services	303,585	226,059	520,986	1,050,630	1,579,758
Printing	2,123	90,376	153,470	245,969	291,901
Rent	-	-	-	-	592,526
Occupancy	1,795	532	917	3,244	88,911
Special Events/Projects	3,185	-	232,617	235,802	294,603
Transportation Costs	2,967	414	1,821	5,202	649,766
Travel/Meetings	135,699	2,150	58,074	195,923	280,099
Utilities	36,212	6,898	16,841	59,951	890,948
Total	\$ 2,023,693	\$ 992,791	\$ 2,529,054	\$ 5,545,538	\$ 44,259,954

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, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 6,785,626	\$ (557,494)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization of Property and Equipment	1,096,083	1,008,788
Net Realized and Unrealized Loss on Investments	622,794	1,303,290
Change in Value of Beneficial Interest in Remainder Trust	(656,063)	6,094
Net Distributions and Change in Value of Beneficial Interests in Assets Held in Trusts	259,600	772,222
Change in Discount to Present Value of Contributions Receivable	192,281	106,605
Contributions Restricted for Long-Term Investment	(335,172)	(980,526)
(Gain) Loss on Disposal of Fixed Assets	2,487	(3,946)
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	(44,127)	(28,032)
Contributions and Grants Receivable	(3,199,500)	1,647,088
Other Receivables	(611,805)	82,733
Inventories	(153,947)	(448,672)
Other Assets	(195,102)	(57,544)
Accounts Payable	204,423	(389,057)
Accrued Expenses and Other Liabilities	597,695	102,003
Charitable Gift Annuities Payable	78,253	178,191
Net Cash Provided by Operating Activities	4,643,526	2,741,743
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	2,516,539	2,019,508
Purchases of Investments	(4,465,254)	(4,520,301)
Purchases of Property and Equipment	(450,340)	(1,947,040)
Net Cash Used by Investing Activities	(2,399,055)	(4,447,833)

(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, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	\$ 2,362,000	\$ -
Payments on Note Payable	-	(19,582)
Contributions Restricted for Long-Term Investments	335,172	980,526
Net Cash Provided by Financing Activities	2,697,172	960,944
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,941,643	(745,146)
Cash and Cash Equivalents - Beginning of Year	2,124,003	2,869,149
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,065,646	\$ 2,124,003
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Contributions of Stock	\$ 436,807	\$ 267,514
Contributions of Property and Equipment	\$ -	\$ 68,000
Cash Paid for Interest	\$ -	\$ 545

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, 2020 AND 2019**

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, clothing, housing, and medical and dental services to the working poor and those experiencing homelessness or on the verge of homelessness and others in need through its Dining Room Ministry, Resource Center, Medical and Dental Clinic, Homeless Shelter and affiliation with the Parish Conferences. The Council accepts donated household and other items for distribution to those in need and for sale, primarily in its thrift stores. The Council also provides an opportunity to serve for volunteers seeking meaningful interactions.

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, 2020 AND 2019**

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 and Bequest 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, 2020 and 2019.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Other Receivables

Accounts and other receivables 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 the 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 or other receivables. Management's estimate of the allowance for doubtful accounts was \$3,000 as of September 30, 2020 and 2019.

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 \$153,947 net of a \$100,000 provision for inventory reserve as of September 30, 2020, as compared to September 30, 2019. 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.

Beneficial Interest in Remainder Trust

The Council is the beneficiary of two irrevocable charitable remainder trust. Under the terms of the trust agreements, the Council is to receive either interest payments or a portion of the assets annually over the specified terms in the trust agreement and a remainder interest in the assets at the end of the trusts' term. Upon the termination of the trust agreements, the remaining trust assets are distributed. The charitable remainder trusts are 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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 and 2019.

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 are recognized as revenue in the period received or unconditionally promised, whichever is earlier. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. 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, 2020 AND 2019**

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.

Conditional promises to give are not recognized as contribution revenue and receivable until the conditions have been substantially met. There were no conditional promises outstanding at September 30, 2020.

Government Contracts

A portion of the Council's revenue is derived from cost-reimbursable 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 incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Council received cost-reimbursable grants of \$758,278 that have not been recognized at September 30, 2020 because qualifying expenditures have not yet been incurred.

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, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

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

Program Services

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

Retail Operations: Activities of retail operations include operating six 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.

Shelter Operations, Ministry to the Homeless, and Homelessness Prevention: 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. 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 homelessness prevention include providing rental, mortgage, and utility assistance to individuals and 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 and orthodontics, as well as medical and dental education, and diabetic nutritional counseling.

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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Program Services (Continued)

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.

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.

Change in Accounting Principles

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Our financial statements reflect the application of ASU 2018-08 beginning October 1, 2019. The new guidance does not require prior period results to be restated. The adoption of ASU 2018-08 did not impact the Council's reported revenue.

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, 2020 AND 2019**

NOTE 2 RECEIVABLES

Contributions and bequest receivables have been discounted at a rate of approximately 3.00% at September 30, 2020 and 2019. The following is a summary of the contributions and bequest receivables at September 30:

	2020	2019
Contributions and Bequests Receivable, Net	<u>\$ 6,506,712</u>	<u>\$ 3,499,493</u>
Total Amounts Due in:		
One Year	\$ 3,059,500	\$ 2,195,000
Two to Five Years	<u>4,030,000</u>	<u>1,695,000</u>
Gross Contributions Receivable	7,089,500	3,890,000
Less: Discount to Present Value	(482,788)	(290,507)
Less: Allowance for Uncollectable Pledges	<u>(100,000)</u>	<u>(100,000)</u>
Total Receivables, Net	<u>\$ 6,506,712</u>	<u>\$ 3,499,493</u>

Accounts and other receivables consist of the following at September 30:

	2020	2019
Accounts Receivable, Net	\$ 218,118	\$ 173,991
Other Receivables	<u>859,650</u>	<u>247,845</u>
Total Accounts and Other Receivables	<u>\$ 1,077,768</u>	<u>\$ 421,836</u>
Receivables from Conferences and Affiliates	\$ 221,118	\$ 176,991
Receivables from Grants	856,260	243,000
Receivables, Other	<u>3,390</u>	<u>4,845</u>
Gross Accounts and Other Receivables	1,080,768	424,836
Less: Allowance for Uncollectable Other Receivables	(3,000)	(3,000)
Total Accounts and Other Receivables, Net	<u>\$ 1,077,768</u>	<u>\$ 421,836</u>

NOTE 3 INVESTMENTS

Investments consist of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 1,253,003	\$ 1,253,003	\$ 1,052,493	\$ 1,052,493
Mutual Funds and Stock	15,979,264	16,337,624	13,874,889	15,013,699
Bonds	1,039,261	1,100,389	1,374,141	1,395,325
Certificates of Deposit	2,086,197	2,207,314	1,849,211	2,110,892
Total Investments	<u>\$ 20,357,725</u>	<u>\$ 20,898,330</u>	<u>\$ 18,150,734</u>	<u>\$ 19,572,409</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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 nonperpetual 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 nonperpetual 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, 2020 AND 2019**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Beneficial Interests in Assets Held in Remainder Trusts

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 remainder trust is classified within Level 3 of the valuation hierarchy.

The following tables present assets measured at fair value by classification within the fair value hierarchy as of September 30, 2020 and 2019:

<u>September 30, 2020</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	\$ 6,644,865	\$ -	\$ -	\$ 6,644,865
Small Cap	7,005,881	-	-	7,005,881
Large Cap	2,686,878	-	-	2,686,878
Total Mutual Funds	<u>16,337,624</u>	<u>-</u>	<u>-</u>	<u>16,337,624</u>
Certificates of Deposit	-	2,207,314	-	2,207,314
Bonds:				
Government Bond	-	480,463	-	480,463
U.S. Treasury Note	619,926	-	-	619,926
Total Bonds	<u>619,926</u>	<u>480,463</u>	<u>-</u>	<u>1,100,389</u>
Total Investments at Fair Value	<u>\$ 16,957,550</u>	<u>\$ 2,687,777</u>	<u>\$ -</u>	19,645,327
Cash and Cash Equivalents				<u>1,253,003</u>
Total Investments				<u>\$ 20,898,330</u>
Beneficial Interest in Remainder Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 939,968</u>	<u>\$ 939,968</u>
Beneficial Interests in Assets Held in Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,487</u>	\$ 654,487
Investments Measured at NAV Basis				<u>7,767,771</u>
Total Beneficial Interests				<u>\$ 8,422,258</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

<u>September 30, 2019</u>	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
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	15,013,699	-	-	15,013,699
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	1,121,335	273,990	-	1,395,325
Total Investments at Fair Value	\$ 16,135,034	\$ 2,384,882	\$ -	18,519,916
Cash and Cash Equivalents				1,052,493
Total Investments				\$ 19,572,409
Beneficial Interest in Remainder Trust	\$ -	\$ -	\$ 283,905	\$ 283,905
Beneficial Interests in Assets Held in Trusts	\$ -	\$ -	\$ 633,950	\$ 633,950
Investments Measured at NAV Basis				8,047,908
Total Beneficial Interests				\$ 8,681,858

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:

	2020	2019
Beginning Balance	\$ 917,855	\$ 943,498
Total Gains and Losses (Realized/Unrealized) Included in Changes in Net Assets	34,445	(25,643)
Contribution	642,155	-
Ending Balance	\$ 1,594,455	\$ 917,855
Change in Unrealized Gains for the Period Included in the Change in Net Assets Related to Investments Held at End of Reporting Period	\$ 34,445	\$ (25,643)

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 5 INVENTORIES

Inventories consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Food	\$ 1,282,815	\$ 1,092,125
Retail Products	269,825	367,946
Medical and Pharmaceutical Supplies	642,647	581,269
Total Inventories	<u>\$ 2,195,287</u>	<u>\$ 2,041,340</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. 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.

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 trusts consist of the following:

	<u>2020</u>	<u>2019</u>
Sole Beneficiary of Two Irrevocable Nonperpetual Trusts	\$ 7,767,771	\$ 8,047,908
Joint Beneficiary of One Irrevocable Perpetual Trust	174,758	169,703
Assets Held by the Catholic Community Foundation	479,729	464,247
Total Beneficial Interests in Assets Held in Trusts	<u>\$ 8,422,258</u>	<u>\$ 8,681,858</u>
 Beneficial Interest in Two Remainder Trust	 <u>\$ 939,968</u>	 <u>\$ 283,905</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 6 BENEFICIAL INTERESTS IN ASSETS HELD IN TRUSTS (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Change in the Fair Value of the Trusts' Assets:		
Assets Held in Trusts	\$ (259,600)	\$ (772,222)
Remainder Trusts	13,908	(6,094)
Contribution to Remainder Trust	642,155	-
Total Change in the Fair Value of the Trusts' Assets	<u>\$ 396,463</u>	<u>\$ (778,316)</u>
Income from the Trusts	<u>\$ 234,479</u>	<u>\$ 364,949</u>

NOTE 7 LAND, PROPERTY, AND EQUIPMENT

Land, property, and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 4,294,302	\$ 4,294,302
Building and Improvements	20,390,426	20,390,426
Equipment	4,241,391	4,002,796
Automobile and Trucks	697,536	697,536
Website/Software	388,099	388,099
Leasehold Improvements	173,258	52,806
Construction in Progress	38,490	-
Total	<u>30,223,502</u>	<u>29,825,965</u>
Less: Accumulated Depreciation and Amortization	<u>(10,394,707)</u>	<u>(9,348,940)</u>
Land, Property, and Equipment, Net	<u>\$ 19,828,795</u>	<u>\$ 20,477,025</u>

Depreciation and amortization expense was \$1,096,083 and \$1,008,788 for the years ended September 30, 2020 and 2019, 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 \$76,678 and \$87,101 during 2020 and 2019, respectively.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 9 NOTES PAYABLE AND LINES OF CREDIT

On April 16, 2020, the Council received a loan from Arizona Bank and Trust in the amount of \$2,362,000 to fund payroll, rent, and utilities through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Council fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 27, 2020 to October 11, 2020, is the time that a business has to spend their PPP Loan funds. The Council has classified the loan as long-term. Subsequent to the year ended September 30, 2020, management has completed the covered period, is evaluating the allowable expenses, and intends to apply for full loan forgiveness within the required time frames.

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 \$1,852,103 and \$1,877,103 as of September 30, 2020 and 2019, 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, 2020 and 2019, 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 \$4,000,000 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, 2020 and 2019, 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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 10 IN-KIND CONTRIBUTIONS (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Pounds Received from Grocery Stores and Food Drives	4,178,399	3,907,617
Pounds Received from USDA	905,281	3,291,856
Total Food Received in Pounds	<u>5,083,680</u>	<u>7,199,473</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	\$ 6,977,926	\$ 6,525,720
Food Donated to our Dining Rooms and Kitchens	1,249,289	1,255,331
Estimated Value of Food Received from USDA	<u>780,836</u>	<u>2,657,404</u>
Total Food	9,008,051	10,438,455
Items for Program Use	664,234	920,702
Donated Merchandise for Retail Sales	4,066,998	4,675,000
Professional Volunteer Support	2,727,543	2,056,636
Medical/Dental Supplies and Procedures	991,594	2,091,172
Donated Fixed Assets	-	68,000
Total In-Kind Contributions	<u>\$ 17,458,420</u>	<u>\$ 20,249,965</u>

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>2020</u>	<u>2019</u>
Professional Volunteer Hours	26,107	26,467
Other Volunteer Hours	178,332	232,179

NOTE 11 LEASE COMMITMENTS

The Council entered into various operating leases for equipment and facilities. The Council operated five thrift stores under long-term leases. Facilities rent expense totaled \$401,999 and \$671,528 for the years ended September 30, 2020 and 2019, respectively.

The Council also entered into long-term leases for vehicles and other equipment for use in operations. Equipment and vehicle lease expense was \$231,613 and \$161,376 for the years ended September 30, 2020 and 2019, respectively.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 11 LEASE COMMITMENTS (CONTINUED)

Future minimum payments under all lease commitments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 379,462
2022	348,709
2023	354,842
2024	362,639
2025	53,030
Total	<u>\$ 1,498,682</u>

The operating leases expire at various dates through November 30, 2024; it is expected that in the normal course of business, leases that expire will be renewed or replaced with new leases.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unrestricted Operating	\$ 27,955,430	\$ 25,811,194
Board-Designated Net Assets - Endowments	2,297,707	2,374,149
Total	<u>\$ 30,253,137</u>	<u>\$ 28,185,343</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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.

	<u>2020</u>	<u>2019</u>
Subject to Expenses for Specified Purpose:		
Any Council Operations, Includes Pledge and Bequest		
Receivables of \$4,903,909 (2020) and \$1,322,947 (2019)	\$ 6,671,281	\$ 1,332,947
Resource Center	343,092	85,394
Medical/Dental Clinic, Includes Pledges Receivable		
of \$589,719 (2020) and \$749,930 (2019)	589,719	890,792
Dining Rooms and Food	<u>260,930</u>	<u>135,739</u>
Total	7,865,022	2,444,872
Subject to Passage of Time:		
Pledge Receivables, Net	458,545	1,426,616
Beneficial Interest in Remainder Trusts	<u>939,968</u>	<u>283,905</u>
Total	9,263,535	4,155,393
Endowments:		
Subject to Endowment Spending Policy		
and Appropriation:		
Earnings on Endowment Funds	412,867	878,750
Original Donor-Restricted Gift Amount to be		
Maintained in Perpetuity:		
Medical/Dental Clinic Operations	6,522,162	6,521,411
Ministries	480,000	480,000
Conference Endowment	1,530,887	1,323,079
Cuernavaca	30,100	28,100
General	2,818,330	2,808,030
Dining Room	288,300	250,500
Ozanam Manor	76,513	-
Scholarship Fund	<u>94,020</u>	<u>94,020</u>
Total	12,253,179	12,383,890
Beneficial Interest in Assets Held in Trust:		
Providing Food and Shelter to the Needy	6,710,647	7,023,161
Any Council Operations	1,536,854	1,488,995
Dining Room Operations	<u>174,758</u>	<u>169,702</u>
Total Beneficial Interest in Assets Held in Trust:	8,422,259	8,681,858
Other:		
Human Services Campus (Land)	<u>1,171,244</u>	<u>1,171,244</u>
Total Donor-Restricted Net Assets	<u>\$ 31,110,217</u>	<u>\$ 26,392,385</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

Net Assets With Donor Restrictions (Continued)

Net assets of \$4,385,852 and \$7,012,363 were released from restrictions during 2020 and 2019, 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 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, we retain 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 us in a manner consistent with the standard of prudence prescribed by SPMIFA. We consider 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Fund	\$ -	\$ 12,253,179	\$ 12,253,179
Board-Designated Endowment	2,297,707	-	2,297,707
Total	<u>\$ 2,297,707</u>	<u>\$ 12,253,179</u>	<u>\$ 14,550,886</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

Changes in endowment net assets for the year ended September 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 2,374,149	\$ 12,383,890	\$ 14,758,039
Investment Return:			
Investment Income	35,530	350,252	385,782
Net Depreciation	(111,972)	(536,554)	(648,526)
Total Investment Return	<u>(76,442)</u>	<u>(186,302)</u>	<u>(262,744)</u>
Contributions	-	335,172	335,172
Board-Designated Contribution	-	-	-
Appropriation of Assets for Expenditure	<u>-</u>	<u>(279,581)</u>	<u>(279,581)</u>
Endowment Net Assets - End of Year	<u>\$ 2,297,707</u>	<u>\$ 12,253,179</u>	<u>\$ 14,550,886</u>

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>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 12 RESTRICTED ASSETS 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 Appreciation	(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	<u>-</u>	<u>(479,441)</u>	<u>(479,441)</u>
Endowment Net Assets - End of Year	<u>\$ 2,374,149</u>	<u>\$ 12,383,890</u>	<u>\$ 14,758,039</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 with donor restrictions. There were no such deficiencies as of September 30, 2020 and 2019.

Spending Policy

The board of directors has adopted a policy of annually appropriating for expenditures 4-7% 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
SEPTEMBER 30, 2020 AND 2019**

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 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 \$521,798 and \$385,516 during the years ended September 30, 2020 and 2019, respectively.

NOTE 14 CONCENTRATION OF RISK

Cash and Cash Equivalents

The Council maintains all 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 \$218,118 and \$142,268 as of September 30, 2020 and 2019, 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. District councils tithe 10% of their qualifying revenues to the Council.

Accounts payable of \$6,324 and \$14,145 as of September 30, 2020 and 2019, 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 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 \$5,500,000 and \$750,000, of which \$4,250,000 and \$500,000 are included in contributions and grants receivable on the statements of financial position as of and for the years ended September 30, 2020 and 2019, respectively.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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 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, 2020 and 2019, available to meet general expenses within one year of the statement of financial position date:

Financial Assets:	2020	2019
Cash and Cash Equivalents	\$ 7,065,646	\$ 2,124,003
Accounts Receivable, Net	218,118	173,991
Contributions, Pledges, and Grants Receivable, Net	6,506,712	3,499,493
Other Receivables	859,650	247,845
Investments	20,898,330	19,572,409
Total Financial Assets	35,548,456	25,617,741
Less: Contributions and Grants Receivable due in More Than 1 Year, Net	(3,447,212)	(1,304,493)
Less: Net Assets With Donor Restrictions, Unavailable for Expenses - Endowments	(12,253,179)	(12,383,890)
Less: Board-Designated Net Assets - Endowments	(2,297,707)	(2,374,149)
Add: Current Year Approved Endowment Funds Spending-Rate Appropriations	412,000	508,000
Financial Assets Available to Meet Cash Needs For General Expenses Within One year	\$ 17,962,358	\$ 10,063,209

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 17 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 \$2,297,707 as of September 30, 2020 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 18 RISKS AND UNCERTAINTIES

Legal Matters

In the ordinary course of business, the Council is subject to certain 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.

Grants

The Council participates in a number of 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.

Other

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Council, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results. Management believes the Council is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 19 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.

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, 2021; 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, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Council's financial statements.

NOTE 20 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 11, 2021, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2020, but prior to March 11, 2021, that provided additional evidence about conditions that existed at September 30, 2020, have been recognized in the financial statements for the year ended September 30, 2020. Events or transactions that provided evidence about conditions that did not exist at September 30, 2020, 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, 2020.

