

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
TABLE OF CONTENTS
SEPTEMBER 30, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	3
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	12
Note 1 Summary of Significant Accounting Policies	12
Note 2 Contributions Receivable	18
Note 3 Notes Receivable Included in Other Receivables	19
Note 4 Investments	19
Note 5 Fair Value of Financial Instruments	19
Note 6 Inventories	22
Note 7 Beneficial Interests in Assets Held in Trusts	22
Note 8 Land, Property and Equipment	23
Note 9 Investment in Human Services Campus, LLC	24
Note 10 Notes Payable	24
Note 11 In-Kind Contributions	25
Note 12 Lease Commitments	26
Note 13 Restricted Assets and Designated Funds	27
Note 14 Employee Benefit Plan	30
Note 15 Concentration of Risk	31
Note 16 Related Party Transactions	31
Note 17 Government Grants	31
Note 18 Subsequent Events	31

INDEPENDENT AUDITORS' REPORT

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

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, 2016 and 2015, 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, 2016 and 2015, 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
January 17, 2017

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015**

ASSETS	2016	2015
Cash and Cash Equivalents	\$ 150,910	\$ 1,083,768
Accounts Receivable, Net	270,934	229,068
Contributions and Grants Receivable, Less Unamortized Discount	1,908,827	104,000
Other Receivables	341,185	137,389
Investments	13,806,514	14,516,132
Inventories	1,517,421	1,511,067
Beneficial Interest in Remainder Trust	276,253	275,538
Beneficial Interests in Assets Held in Trusts	8,580,163	8,215,635
Assets Restricted for Capital Campaign		
Cash	3,241,282	-
Pledges Receivable, Less Unamortized Discount	1,391,872	-
Land, Property and Equipment, Net	9,597,592	9,966,547
Other Assets	138,844	185,043
	\$ 41,221,797	\$ 36,224,187
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 481,241	\$ 410,953
Accrued Expenses	941,979	874,466
Charitable Gift Annuities Payable	988,106	856,383
Notes Payable	82,738	110,994
Total Liabilities	2,494,064	2,252,796
NET ASSETS		
Unrestricted	11,617,198	13,065,048
Temporarily Restricted	10,073,986	4,455,625
Permanently Restricted	17,036,549	16,450,718
Total Net Assets	38,727,733	33,971,391
	\$ 41,221,797	\$ 36,224,187

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, 2016**

	2016			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
SUPPORT AND REVENUES				
In-Kind Contributions	\$ 13,303,534	\$ -	\$ -	\$ 13,303,534
Donated Merchandise	4,255,598	-	-	4,255,598
Bequests and Trusts Contributions	1,133,096	765,000	-	1,898,096
Contributions	7,000,383	5,342,252	221,303	12,563,938
Government and Other Grants	2,004,553	1,525,809	-	3,530,362
Interest and Dividends	327,348	148,141	-	475,489
Unrealized and Realized Gains, Net	146,375	711,889	-	858,264
Change in Value of Charitable Gift Annuities	(87,065)	-	-	(87,065)
Earnings on Beneficial Interest in Assets Held in Trusts	476,403	-	-	476,403
Change in Value of Beneficial Interest in Assets Held in Trusts and Remainder Trust	-	715	364,528	365,243
Other	454,524	-	-	454,524
Net Assets Released from Restriction	2,875,445	(2,875,445)	-	-
Total Support and Revenues	<u>31,890,194</u>	<u>5,618,361</u>	<u>585,831</u>	<u>38,094,386</u>
FUNCTIONAL EXPENSES				
Program Services:				
Food Reclamation Center	9,172,116	-	-	9,172,116
Retail Operations	4,497,814	-	-	4,497,814
Food Services and Dining Room Ministry	5,507,204	-	-	5,507,204
Medical/Dental Clinic	4,888,243	-	-	4,888,243
Ozanam Manor Shelter	1,045,995	-	-	1,045,995
Special Events and Projects	1,258,500	-	-	1,258,500
Conferences and Volunteers	862,123	-	-	862,123
Transient, Homeless, Incarcerated and Medical Equipment Ministries	1,462,107	-	-	1,462,107
Total Program Services	<u>28,694,102</u>	<u>-</u>	<u>-</u>	<u>28,694,102</u>
Support Services:				
Management and Administration	1,379,743	-	-	1,379,743
Community Relations	868,208	-	-	868,208
Fund Raising/Development	2,395,991	-	-	2,395,991
Total Support Services	<u>4,643,942</u>	<u>-</u>	<u>-</u>	<u>4,643,942</u>
Total Functional Expenses	<u>33,338,044</u>	<u>-</u>	<u>-</u>	<u>33,338,044</u>
Changes in Net Assets	(1,447,850)	5,618,361	585,831	4,756,342
Net Assets - Beginning of Year	13,065,048	4,455,625	16,450,718	33,971,391
NET ASSETS - END OF YEAR	<u>\$ 11,617,198</u>	<u>\$ 10,073,986</u>	<u>\$ 17,036,549</u>	<u>\$ 38,727,733</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, 2015**

	2015			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
SUPPORT AND REVENUES				
In-Kind Contributions	\$ 11,489,575	\$ -	\$ -	\$ 11,489,575
Donated Merchandise	4,548,585	-	-	4,548,585
Bequests and Trusts Contributions	1,481,870	104,000	-	1,585,870
Contributions	7,047,126	88,638	146,517	7,282,281
Government and Other Grants	2,240,808	928,537	-	3,169,345
Interest and Dividends	50,641	276,449	-	327,090
Unrealized and Realized Losses, Net	(259,275)	(530,077)	-	(789,352)
Change in Value of Charitable Gift Annuities	(38,748)	-	-	(38,748)
Earnings on Beneficial Interest in Assets Held in Trusts	444,503	-	-	444,503
Change in Value of Beneficial Interest in Assets Held in Trusts and Remainder Trust	-	(23,628)	(770,512)	(794,140)
Other	540,019	-	-	540,019
Net Assets Released from Restriction	3,627,782	(3,627,782)	-	-
Total Support and Revenues	<u>31,172,886</u>	<u>(2,783,863)</u>	<u>(623,995)</u>	<u>27,765,028</u>
FUNCTIONAL EXPENSES				
Program Services:				
Food Reclamation Center	8,205,814	-	-	8,205,814
Retail Operations	4,670,505	-	-	4,670,505
Food Services and Dining Room Ministry	5,112,536	-	-	5,112,536
Medical/Dental Clinic	3,691,442	-	-	3,691,442
Ozanam Manor Shelter	914,650	-	-	914,650
Special Events and Projects	1,300,204	-	-	1,300,204
Conferences and Volunteers	856,601	-	-	856,601
Transient, Homeless, Incarcerated and Medical Equipment Ministries	1,146,153	-	-	1,146,153
Total Program Services	<u>25,897,905</u>	<u>-</u>	<u>-</u>	<u>25,897,905</u>
Support Services:				
Management and Administration	1,299,451	-	-	1,299,451
Community Relations	555,416	-	-	555,416
Fund Raising/Development	2,699,238	-	-	2,699,238
Total Support Services	<u>4,554,105</u>	<u>-</u>	<u>-</u>	<u>4,554,105</u>
Total Functional Expenses	<u>30,452,010</u>	<u>-</u>	<u>-</u>	<u>30,452,010</u>
Changes in Net Assets	720,876	(2,783,863)	(623,995)	(2,686,982)
Net Assets - Beginning of Year	<u>12,344,172</u>	<u>7,239,488</u>	<u>17,074,713</u>	<u>36,658,373</u>
NET ASSETS - END OF YEAR	<u>\$ 13,065,048</u>	<u>\$ 4,455,625</u>	<u>\$ 16,450,718</u>	<u>\$ 33,971,391</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, 2016**

	Program Services								
	Food Reclamation Center	Retail Operations	Food Services and Dining Room Ministry	Medical/ Dental Clinic	Ozanam Manor Shelter	Special Events and Projects	Conferences and Volunteers	Transient, Homeless, Incarcerated, and Medical Equipment Ministries	Total Program Services
Salaries and Benefits	\$ 533,996	\$2,424,727	\$1,646,673	\$1,602,784	\$ 669,514	\$ 333,045	\$551,094	\$ 420,343	\$ 8,182,176
Advertising	100	77,876	95	52	42	737	16	63	78,981
Council Direct Aid	-	-	-	-	-	94,709	-	-	94,709
Depreciation and Amortization	27,145	97,406	369,063	10,137	19,691	21,391	22,506	36,705	604,044
Direct Client Costs	138	91	63,223	190,985	27,479	304,945	4,202	702,387	1,293,450
Equipment and Supplies	43,949	43,759	279,983	31,313	64,787	56,450	47,592	54,389	622,222
Food	144,768	925	636,749	890	8,083	-	502	-	791,917
In-Kind Expenses	8,129,884	6,320	1,664,330	2,854,381	154,713	144,587	1,569	149,260	13,105,044
Insurance	42,683	53,959	44,426	22,785	11,790	8,654	3,772	11,520	199,589
Maintenance and Repairs	76,177	162,493	300,922	32,853	21,322	16,665	10,594	26,700	647,726
Miscellaneous	14,034	499,422	35,442	22,928	6,011	120,436	8,016	4,917	711,206
Outside Services	54,058	253,263	117,717	52,161	18,747	49,375	13,457	1,227	560,005
Printing	2,468	8,994	1,362	491	51	5,164	18,229	599	37,358
Rent	-	530,695	-	-	-	250	-	-	530,945
Security	3,227	27,625	15,749	2,243	5,086	2,246	2,450	2,804	61,430
Special Events/Projects	11,039	-	51,521	1,201	-	38,922	11,051	-	113,734
Telephone and Postage	12,278	55,030	35,155	15,391	18,271	10,017	22,534	18,664	187,340
Transportation Costs	24,105	79,465	24,816	2,095	5,893	9,188	786	2,538	148,886
Travel/Meetings	1,338	8,215	16,450	23,453	5,023	17,711	75,099	735	148,024
Utilities	50,729	167,549	203,528	22,100	9,492	24,008	68,654	29,256	575,316
Totals	<u>\$9,172,116</u>	<u>\$4,497,814</u>	<u>\$5,507,204</u>	<u>\$4,888,243</u>	<u>\$1,045,995</u>	<u>\$1,258,500</u>	<u>\$862,123</u>	<u>\$1,462,107</u>	<u>\$28,694,102</u>

(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, 2016**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and Benefits	\$ 1,001,522	\$ 160,026	\$ 1,322,831	\$ 2,484,379	\$ 10,666,555
Advertising	5,996	236,980	119,425	362,401	441,382
Council Direct Aid	-	-	-	-	94,709
Depreciation and Amortization	13,029	10,349	106,685	130,063	734,107
Direct Client Costs	9	3	81	93	1,293,543
Equipment and Supplies	65,233	25,345	19,216	109,794	732,016
Food	2,650	-	13	2,663	794,580
In-Kind Expenses	3,991	1	4	3,996	13,109,040
Insurance	17,893	3,610	9,098	30,601	230,190
Maintenance and Repairs	11,748	2,854	5,943	20,545	668,271
Miscellaneous	15,317	924	94,760	111,001	822,207
Outside Services	147,767	222,233	420,937	790,937	1,350,942
Printing	1,255	153,466	10,399	165,120	202,478
Rent	-	-	-	-	530,945
Security	1,857	619	1,097	3,573	65,003
Special Events/Projects	-	-	119,018	119,018	232,752
Telephone and Postage	25,939	40,692	128,973	195,604	382,944
Transportation Costs	689	89	899	1,677	150,563
Travel/Meetings	59,362	10,236	31,501	101,099	249,123
Utilities	5,486	781	5,111	11,378	586,694
Totals	\$ 1,379,743	\$ 868,208	\$ 2,395,991	\$ 4,643,942	\$ 33,338,044

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, 2015**

Program Services

	Food Reclamation Center	Retail Operations	Food Services and Dining Room Ministry	Medical/ Dental Clinic	Ozanam Manor Shelter	Special Events and Projects	Conferences and Volunteers	Transient, Homeless, Incarcerated, and Medical Equipment Ministries	Total Program Services
Salaries and Benefits	\$ 548,428	\$2,638,666	\$1,517,826	\$1,441,737	\$ 578,530	\$ 277,743	\$ 551,205	\$ 315,691	\$ 7,869,826
Advertising	-	90,886	15,000	-	-	33,340	-	-	139,226
Council Direct Aid	-	-	-	-	-	210,372	-	-	210,372
Depreciation and Amortization	26,578	148,438	373,159	8,549	19,614	16,358	20,296	29,347	642,339
Direct Client Costs	-	-	23,387	185,394	30,633	298,875	544	578,137	1,116,970
Equipment and Supplies	15,767	69,761	356,398	25,037	39,398	53,140	62,342	64,637	686,480
Food	319,808	2,223	461,953	298	10,064	142	622	4	795,114
In-Kind Expenses	7,062,095	52,375	1,719,668	1,856,382	165,664	65,902	11,828	69,872	11,003,786
Insurance	35,416	72,885	37,570	35,382	11,938	6,487	5,653	6,800	212,131
Maintenance and Repairs	48,206	184,912	212,533	20,989	13,694	30,972	1,658	16,088	529,052
Miscellaneous	11,730	316,187	48,248	8,251	1,147	128,486	7,207	1,525	522,781
Outside Services	26,982	238,318	64,836	56,233	11,947	65,915	51,117	12,696	528,044
Printing	3,246	8,320	395	269	181	2,435	12,838	537	28,221
Rent	-	472,265	-	-	-	-	-	-	472,265
Security	4,386	28,597	12,970	1,608	4,571	642	1,826	2,965	57,565
Special Events/Projects	7,466	-	32,745	411	100	69,703	13,764	-	124,189
Telephone and postage	8,150	50,830	22,735	10,967	13,709	4,959	18,677	13,908	143,935
Transportation Costs	27,856	118,629	21,156	2,373	6,429	6,059	1,466	2,359	186,327
Travel/Meetings	817	13,446	5,779	17,252	2,225	6,263	67,927	437	114,146
Utilities	58,883	163,767	186,178	20,310	4,806	22,411	27,631	31,150	515,136
Totals	\$8,205,814	\$ 4,670,505	\$ 5,112,536	\$3,691,442	\$ 914,650	\$ 1,300,204	\$ 856,601	\$ 1,146,153	\$ 25,897,905

(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, 2015**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and Benefits	\$ 889,273	\$ 96,184	\$ 1,074,197	\$ 2,059,654	\$ 9,929,480
Advertising	1,400	139,072	59,538	200,010	339,236
Council Direct Aid	-	-	-	-	210,372
Depreciation and Amortization	12,530	12,799	106,278	131,607	773,946
Direct Client Costs	-	-	-	-	1,116,970
Equipment and Supplies	83,507	18,920	70,981	173,408	859,888
Food	4,490	-	-	4,490	799,604
In-Kind Expenses	1,250	-	415,760	417,010	11,420,796
Insurance	13,405	1,436	6,244	21,085	233,216
Maintenance and Repairs	8,049	20	63	8,132	537,184
Miscellaneous	19,202	333	68,074	87,609	610,390
Outside Services	149,799	44,805	559,154	753,758	1,281,802
Printing	2,471	177,879	26,991	207,341	235,562
Rent	-	-	-	-	472,265
Security	1,371	457	457	2,285	59,850
Special Events/Projects	-	-	128,368	128,368	252,557
Telephone and Postage	17,425	54,960	145,072	217,457	361,392
Transportation Costs	337	-	2,082	2,419	188,746
Travel/Meetings	87,189	7,600	34,202	128,991	243,137
Utilities	7,753	951	1,777	10,481	525,617
TOTALS	\$ 1,299,451	\$ 555,416	\$ 2,699,238	\$ 4,554,105	\$ 30,452,010

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, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 4,756,342	\$ (2,686,982)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization of Property and Equipment	734,107	773,946
Net Realized and Unrealized (Gain) Loss on Investments	(858,264)	789,352
Change in Value of Beneficial Interest in Remainder Trust	(715)	23,628
Change in Value of Beneficial Interests in Assets Held in Trusts	(364,528)	770,512
Change in Discount to Present Value of Contributions Receivable	146,801	-
Provision for Doubtful Pledge Receivables	100,000	-
Contributed Property, Equipment, and Stock	(940,715)	(237,557)
Contributions Restricted for Long-Term Investment	(4,962,585)	(146,517)
Loss on Disposal of Fixed Assets	217,619	18,618
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	(41,866)	(107,357)
Contributions and Grants Receivable	(1,943,500)	1,196,000
Other Receivables	(238,796)	6,908
Inventories	(6,354)	(74,650)
Other Assets	46,199	9,806
Accounts Payable	70,288	57,884
Accrued Expenses	67,513	94,279
Charitable Gift Annuities Payable	131,723	130,953
Net Cash Provided (Used) by Operating Activities	(3,086,731)	618,823
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections from Notes Receivable	35,000	-
Issuance of Note Receivable	-	(35,000)
Proceeds from Sale of Investments	4,450,496	1,553,219
Purchases of Investments	(2,009,524)	(3,763,472)
Purchases of Property and Equipment	(515,146)	(339,814)
Net Cash Provided (Used) by Investing Activities	1,960,826	(2,585,067)

(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, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	\$ (28,256)	\$ (134,260)
Contributions Restricted for Long-Term Investments	3,462,585	146,517
Net Cash Provided by Financing Activities	3,434,329	12,257
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 2,308,424	 (1,953,987)
Cash and Cash Equivalents - Beginning of Year	1,083,768	3,037,755
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,392,192	\$ 1,083,768
 Cash and Cash Equivalents consists of the following:		
Cash and Cash Equivalents	\$ 150,910	\$ 1,083,768
Cash Restricted for Capital Campaign	3,241,282	-
Cash and Cash Equivalents - End of Year	\$ 3,392,192	\$ 1,083,768
 SUPPLEMENTAL CASH FLOW INFORMATION		
Contributions of Stock	\$ 873,090	\$ 187,557
Cash Paid for Interest	\$ 7,603	\$ 11,891
Donated Property and Equipment	\$ 67,625	\$ 50,000

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, 2016 AND 2015**

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 Ozanam Manor transitional shelter, 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 subject to the same rules and mission as the Council.

Basis of Presentation

The Council prepares its financial statements in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-For-Profit Organizations (Audit Guide) within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, the Council provides financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-restrictions in three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that may or will be met by the actions of the Council and/or the passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on related investments for general or specific purposes.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Permanently Restricted Net Assets (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulation or by law. Satisfaction of temporary restrictions on net assets, i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications to unrestricted net assets.

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. Included in cash and cash equivalents is cash restricted for capital campaign activities.

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 is \$100,000 and \$-0-, as of September 30, 2016 and 2015, respectively.

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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, are stated at the estimated sales value at the time of donation. Inventories increased by \$6,354 at September 30, 2016, as compared to September 30, 2015. Inventories increased by \$74,650 at September 30, 2015, as compared to September 30, 2014.

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

The Council receives contributions of investment assets in which the Council retains an interest. The assets are invested and administered by unrelated trustees and community foundations, and distributions are made to the Council. These funds are primarily invested in debt and equity securities, and the Council records its interest at the fair value of the assets. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as bequest and trust contributions and change in value of beneficial interest in assets held in trust, respectively. The beneficial interest trusts are classified as permanently restricted, temporarily restricted, or unrestricted support, dependent on donor-imposed purpose and time restrictions, if any.

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. 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, 2016 and 2015.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Temporarily Restricted Net Assets

The Council has adopted the following optional accounting policies with respect to temporarily restricted net assets:

- **Contributions with Restrictions Met in the Same Year**
Contributions received with donor-imposed or time restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.
- **Release of Restrictions on Net Assets for Acquisition of Land, Property and Equipment**
Contributions of land, property and equipment without donor stipulations concerning their use are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, property and equipment with donor stipulations are reported as revenues of temporarily restricted net assets. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions

Under the Audit Guidance, contributions, grants, and bequests including unconditional promises to give, are recognized as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets 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. 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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 restricted or temporarily restricted net assets 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 not-for-profit 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 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 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 seven retail stores throughout metropolitan Phoenix in which used clothing, furniture, and household goods are sold at bargain prices. Activities also include picking up 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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Program Services: (Continued)

Food Services and Dining Room Ministry: 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 for twenty-one dining locations operated by other not-for-profit 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.

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.

Ozanam Manor Shelter: Activities include transitional shelter and programs for the homeless, elderly and disabled adults while they work toward improving self-sufficiency.

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.

Transient, Homeless, Incarcerated and Medical Equipment Ministries: 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. Activities of the medical equipment ministry include lending durable medical equipment, such as wheelchairs, walkers, benches, etc. free of charge to low-income, uninsured individuals.

Urban Farms: Activities include growing a variety of fruits and vegetables to be used in our kitchens and added to food boxes for families.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

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.

Reclassifications

There were certain reclassifications made to the 2015 financial statement amounts to correspond with the 2016 financial statement presentation. Total assets, net assets and the change in net assets for 2015 did not change as a result of the reclassifications.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges, grants, and capital campaign pledges that have been discounted at a rate of approximately 3.00% and 0% at September 30, 2016 and 2015, respectively. The following is a summary of the contributions receivable at August 31:

Contributions receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Contributions Receivable	<u>\$ 3,300,699</u>	<u>\$ 104,000</u>
Total Amounts Due in:		
One Year	\$ 1,909,000	\$ 104,000
Two to Five Years	1,638,500	-
More than Five Years	-	-
Gross Contributions Receivable	<u>3,547,500</u>	<u>104,000</u>
Less: Discount to Present Value	(146,801)	-
Less: Allowance for Uncollectable Pledges	(100,000)	-
Contributions Receivable, Net	<u>\$ 3,300,699</u>	<u>\$ 104,000</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 3 NOTE RECEIVABLE INCLUDED IN OTHER RECEIVABLES

Note receivable consists of the following:

	<u>2016</u>	<u>2015</u>
Other Society; Non-Interest Bearing, Unsecured Note Receivable; Original Amount of \$35,000; Balance was Paid in Full in February 2016	\$ -	\$ 35,000
Total Notes Receivable	<u>\$ -</u>	<u>\$ 35,000</u>

NOTE 4 INVESTMENTS

Investments consist of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 260,469	\$ 260,469	\$ 246,227	\$ 246,227
Mutual Funds	8,883,832	10,583,935	8,717,367	10,120,079
Bonds	1,249,944	1,277,574	2,027,136	2,016,028
Certificates of Deposit	1,599,315	1,684,536	2,106,050	2,133,798
Total Investments	<u>\$ 11,993,560</u>	<u>\$ 13,806,514</u>	<u>\$ 13,096,780</u>	<u>\$ 14,516,132</u>

NOTE 5 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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 Remainder Trust

The value of the 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. These trusts are classified within Level 2 and Level 3 of the valuation hierarchy, within the fair value measurement framework.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 30, 2016:

	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Equity Funds	\$ 4,351,970	\$ -	\$ -	\$ 4,351,970
Small Cap	3,946,796	-	-	3,946,796
Large Cap	2,285,169	-	-	2,285,169
Total Mutual Funds	<u>10,583,935</u>	<u>-</u>	<u>-</u>	<u>10,583,935</u>
Certificate of Deposits	<u>-</u>	<u>1,684,536</u>	<u>-</u>	<u>1,684,536</u>
Bonds:				
Government Bond	-	355,288	-	355,288
U.S. Treasury Note	922,286	-	-	922,286
Total Bonds	<u>922,286</u>	<u>355,288</u>	<u>-</u>	<u>1,277,574</u>
Total Investments at Fair Value	<u>\$ 11,506,221</u>	<u>\$ 2,039,824</u>	<u>\$ -</u>	<u>\$ 13,546,045</u>
Beneficial Interest in Remainder Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,253</u>	<u>\$ 276,253</u>
Beneficial Interests in Assets Held in Trusts	<u>\$ -</u>	<u>\$ 7,963,464</u>	<u>\$ 616,699</u>	<u>\$ 8,580,163</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 30, 2015:

	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Equity Funds	\$ 4,383,978	\$ -	\$ -	\$ 4,383,978
Small Cap	3,493,278	-	-	3,493,278
Large Cap	2,242,823	-	-	2,242,823
Total Mutual Funds	<u>10,120,079</u>	<u>-</u>	<u>-</u>	<u>10,120,079</u>
Certificates of Deposit	<u>-</u>	<u>2,133,798</u>	<u>-</u>	<u>2,133,798</u>
Bonds:				
Government Bond	-	557,839	-	557,839
U.S. Treasury Note	1,458,189	-	-	1,458,189
Total Bonds	<u>1,458,189</u>	<u>557,839</u>	<u>-</u>	<u>2,016,028</u>
Total Investments at Fair Value	<u>\$ 11,578,268</u>	<u>\$ 2,691,637</u>	<u>\$ -</u>	<u>\$ 14,269,905</u>
Beneficial Interest in Remainder Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,538</u>	<u>\$ 275,538</u>
Beneficial Interests in Assets Held in Trusts	<u>\$ -</u>	<u>\$ 7,631,250</u>	<u>\$ 584,385</u>	<u>\$ 8,215,635</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
Beginning Balance	\$ 859,923	\$ 926,847
Total Gains and Losses (Realized/Unrealized) Included in Changes in Net Assets	33,029	(66,924)
Purchases	-	-
Ending Balance	<u>\$ 892,952</u>	<u>\$ 859,923</u>
 Change in Unrealized Gains (Losses) for the Period Included in the Change in Net Assets Related to Investments Held At End of Reporting Period.	 <u>\$ 33,029</u>	 <u>\$ (66,924)</u>

NOTE 6 INVENTORIES

Inventories consist of the following:

	<u>2016</u>	<u>2015</u>
Food	\$ 815,516	\$ 1,064,747
Retail Products	326,194	446,320
Other	375,711	-
Total Inventories	<u>\$ 1,517,421</u>	<u>\$ 1,511,067</u>

NOTE 7 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. The Catholic Community Foundation or the Council do not have the ability to vary from the donor's restriction.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 7 BENEFICIAL INTERESTS IN ASSETS HELD IN TRUSTS (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
Sole Beneficiary of Two Irrevocable Trusts	\$ 7,963,464	\$ 7,631,250
Joint Beneficiary of One Irrevocable Trust	170,791	164,421
Assets Held by the Catholic Community Foundation	445,908	419,964
Total Beneficial Interests in Assets Held in Trusts	<u>\$ 8,580,163</u>	<u>\$ 8,215,635</u>

The income and gains (losses) from the trusts consist of the following:

	<u>2016</u>	<u>2015</u>
Gain (Loss) from the Change in the Fair Value of the Trusts' Assets	<u>\$ 364,528</u>	<u>\$ (770,512)</u>
Income from the Trusts	<u>\$ 476,403</u>	<u>\$ 444,503</u>

NOTE 8 LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 3,448,221	\$ 3,380,596
Building and Improvements	10,289,583	10,576,433
Equipment	2,455,672	2,835,917
Automobile and Trucks	1,077,452	1,000,858
Website/Software	365,841	335,341
Leasehold Improvements	211,427	207,405
Construction in Progress	105,170	35,220
Total	<u>17,953,366</u>	<u>18,371,770</u>
Less Accumulated Depreciation and Amortization	<u>(8,355,774)</u>	<u>(8,405,223)</u>
Land, Property and Equipment, Net	<u>\$ 9,597,592</u>	<u>\$ 9,966,547</u>

Depreciation and amortization expense was \$734,107 and \$773,946 for the years ended September 30, 2016 and 2015, respectively.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 9 INVESTMENT IN HUMAN SERVICES CAMPUS, INC.

The Council has previously entered into an Operating Agreement and was a managing member of The Human Services Campus, LLC (the "Campus"). The Campus was a partnership of non-profit and governmental organizations providing leadership and high quality human services to those in need. Maricopa County originally held title to the entire campus, and provided funding for the construction of the facilities.

At September 30, 2015, the members of the Human Services Campus, LLC and their interests were as follows:

The Society of St. Vincent de Paul – 50.0%, Central Arizona Shelter Services, Inc. – 50.0%.

On March 31, 2016, all members of the Campus including the Society transferred their interests to Human Services Campus, Inc. which was formed to assume ownership of the previous Campus assets and to operate the Campus. The Society retains two seats on the board of directors of the Campus not subject to Campus's approval, and the Society does not exercise control over the Campus. The Council's share of operating expenses for the Campus was \$45,786 and \$40,765 during 2016 and 2015, respectively.

NOTE 10 NOTES PAYABLE

Notes payable consists of the following:

	2016	2015
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	\$ 82,738	\$ 109,626
Note payable to a financial institution; original amount of \$44,762; payable in monthly installments of \$1,376; including interest at 6.70%; through November 2015; secured by vehicles and operating equipment.	-	1,368
Total	82,738	110,994
Less: Current Maturities	(29,047)	(28,257)
Long-Term Maturities of Notes Payable	\$ 53,691	\$ 82,737

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 10 NOTES PAYABLE (CONTINUED)

Future maturities of the notes payable after September 30, 2016, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 29,047
2018	31,381
2019	22,310
Total	<u>\$ 82,738</u>

NOTE 11 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>2016</u>	<u>2015</u>
Pounds Received from Grocery Stores and Food Drives	4,286,100	3,602,380
Pounds Received from USDA	1,428,687	1,519,110
Total Food Received in Pounds	<u>5,714,787</u>	<u>5,121,490</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	\$ 7,157,787	\$ 6,015,975
Estimated Value of Food Received from USDA	972,097	1,064,566
Total Food	8,129,884	7,080,541
Total Items for Program Use	2,200,541	2,488,470
Professional Volunteer Support and Expenses	2,351,000	1,515,338
Medical/Dental Supplies and Procedures	554,484	355,226
Donated Fixed Assets	67,625	50,000
Total In-Kind Contributions	<u>\$ 13,303,534</u>	<u>\$ 11,489,575</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 11 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, non-professional 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>2016</u>	<u>2015</u>
Professional Volunteer Hours	20,560	20,702
Non-Professional Volunteer Hours	232,451	252,912

NOTE 12 LEASE COMMITMENTS

The Council enters into various operating leases for equipment and facilities. The Council operated two thrift stores under month-to-month leases and four thrift stores under long term leases. Facilities rent expense totaled \$520,409 and \$472,265 for the years ended September 30, 2016 and 2015, respectively.

The Council also enters into long term leases for vehicles and other equipment for use in operations. Equipment and vehicle lease expense was \$83,835 and \$63,862 for the years ended September 30, 2016 and 2015, respectively.

Future minimum payments under all lease commitments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 464,422
2018	458,549
2019	456,519
2020	299,195
2021	36,215
Total	<u>\$ 1,714,900</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS

Temporarily restricted net assets are restricted by the donor for the following purposes at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Any Council Operations (Time Restricted)	\$ 802,922	\$ 1,523,013
Unappropriated Endowment Earnings (Time Restricted)	729,818	325,789
Capital Campaign Pledges (Time and Purpose Restricted)	1,391,872	-
Capital Campaign Donations (Time and Purpose Restricted)	3,241,282	-
Medical/Dental Clinic (Time and Purpose Restricted)	1,151,174	521,609
Retail Operations (Time and Purpose Restricted)	4,500	2,500
Dining Rooms and Food (Purpose restricted)	884,421	162,812
Beneficial Interest in Remainder Trust	276,253	275,538
Human Services Campus - Building	1,591,744	1,644,364
Total	<u>\$ 10,073,986</u>	<u>\$ 4,455,625</u>

Net assets of \$2,875,445 and \$3,627,782 were released from restrictions during 2016 and 2015, respectively, by meeting the time and purpose restriction of the gifts.

A summary of permanently restricted net assets, which are restricted for investment in perpetuity by the donor, as of September 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Endowments:		
Medical/Dental Clinic Operations	\$ 6,517,936	\$ 6,496,539
Ministries	35,000	35,000
Conferences	359,906	229,100
General	41,800	32,700
Dining Room	250,500	250,500
Scholarship Fund	80,000	20,000
Donor Endowments	<u>7,285,142</u>	<u>7,063,839</u>
Beneficial Interest in Assets Held in Trust:		
Providing Food and Shelter to the Needy	7,016,005	6,723,538
Any Council Operations	1,393,367	1,327,676
Dining Room Operations	170,791	164,421
Total Beneficial Interest in Assets Held in Trust:	<u>8,580,163</u>	<u>8,215,635</u>
Other:		
Human Services Campus (Land)	1,171,244	1,171,244
Total	<u>\$ 17,036,549</u>	<u>\$ 16,450,718</u>

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

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

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 permanently restricted net assets 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, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted				
Endowment Fund	\$ -	\$ 729,819	\$ 7,285,142	\$ 8,014,961
Board Designated Endowment	637,924	-	-	637,924
	<u>\$ 637,924</u>	<u>\$ 729,819</u>	<u>\$ 7,285,142</u>	<u>\$ 8,652,885</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

Changes in endowment net assets for the year ended September 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ 570,560	\$ 325,789	\$ 7,063,839	\$ 7,960,188
Investment Return:				
Investment Income	11,431	148,141	-	159,572
Net Appreciation	55,933	711,889	-	767,822
Total Investment Return	<u>67,364</u>	<u>860,030</u>	<u>-</u>	<u>927,394</u>
Contributions	-	-	221,303	221,303
Appropriation of Assets for Expenditure	<u>-</u>	<u>(456,000)</u>	<u>-</u>	<u>(456,000)</u>
Endowment Net Assets - End of Year	<u>\$ 637,924</u>	<u>\$ 729,819</u>	<u>\$ 7,285,142</u>	<u>\$ 8,652,885</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Fund	\$ -	\$ 325,789	\$ 7,063,839	\$ 7,389,628
Board Designated Endowment	570,560	-	-	570,560
	<u>\$ 570,560</u>	<u>\$ 325,789</u>	<u>\$ 7,063,839</u>	<u>\$ 7,960,188</u>

Changes in endowment net assets for the year ended September 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ 322,380	\$ 999,417	\$ 6,917,322	\$ 8,239,119
Investment Return:				
Investment Income	12,884	276,449	-	289,333
Net Appreciation	(24,704)	(530,077)	-	(554,781)
Total Investment Return	<u>(11,820)</u>	<u>(253,628)</u>	<u>-</u>	<u>(265,448)</u>
Contributions	-	-	146,517	146,517
Board Designated Contribution	260,000	-	-	260,000
Appropriation of Assets for Expenditure	<u>-</u>	<u>(420,000)</u>	<u>-</u>	<u>(420,000)</u>
Endowment Net Assets - End of Year	<u>\$ 570,560</u>	<u>\$ 325,789</u>	<u>\$ 7,063,839</u>	<u>\$ 7,960,188</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

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 unrestricted net assets. There were no such deficiencies as of September 30, 2016 and 2015.

Spending Policy

The Council has a policy of appropriating for distribution each year between 4% and 7% of its endowment fund's average fair value. An average endowment investment portfolio balance will be calculated by combining the closing balance of the previous August 31 endowment investment total with the closing balance for the previous September 30 endowment investment total.

NOTE 14 EMPLOYEE BENEFIT PLAN

The Council sponsors a defined contribution plan (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 may also make supplemental contributions under the plan. Participants are vested in their contributions and become fully vested in the Council's contributions immediately. The Council's contribution expense was \$272,918 and \$255,406, during the years ended September 30, 2016 and 2015, respectively.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 15 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 16 RELATED PARTY TRANSACTIONS

Accounts receivable of \$110,356 and \$75,957 as of September 30, 2016 and 2015, respectively, were due from other district councils.

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 ten percent of their qualifying revenues to the Council.

NOTE 17 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 18 SUBSEQUENT EVENTS

Management evaluated subsequent events through January 17, 2017, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2016, but prior to January 17, 2017, that provided additional evidence about conditions that existed at September 30, 2016, have been recognized in the financial statements for the year ended September 30, 2016. Events or transactions that provided evidence about conditions that did not exist at September 30, 2016, 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, 2016.