

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

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
TABLE OF CONTENTS
SEPTEMBER 30, 2015 AND 2014**

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	18
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	23
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, 2015 and 2014, 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, 2015 and 2014, 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 19, 2016

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 1,083,768	\$ 3,037,755
Accounts Receivable, Net	229,068	121,711
Contributions Receivable	104,000	1,300,000
Other Receivables	137,389	109,297
Investments	14,516,132	12,907,673
Inventories	1,511,067	1,436,417
Beneficial Interest in Remainder Trust	275,538	299,167
Beneficial Interests in Assets Held in Trusts	8,215,635	8,986,147
Land, Property and Equipment, Net	9,966,547	10,369,297
Other Assets	185,043	194,849
	<u>\$ 36,224,187</u>	<u>\$ 38,762,313</u>
Total Assets	<u>\$ 36,224,187</u>	<u>\$ 38,762,313</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 410,953	\$ 353,069
Accrued Expenses	874,466	780,187
Charitable Gift Annuities Payable	856,383	725,430
Notes Payable	110,994	245,254
Total Liabilities	<u>2,252,796</u>	<u>2,103,940</u>
NET ASSETS		
Unrestricted	13,065,048	12,344,172
Temporarily Restricted	4,455,625	7,239,488
Permanently Restricted	16,450,718	17,074,713
Total Net Assets	<u>33,971,391</u>	<u>36,658,373</u>
Total Liabilities and Net Assets	<u>\$ 36,224,187</u>	<u>\$ 38,762,313</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 Gains (Loss), 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 ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2014**

	2014			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
SUPPORT AND REVENUES				
In-Kind Contributions	\$ 9,585,519	\$ -	\$ -	\$ 9,585,519
Donated Merchandise	4,603,017	-	-	4,603,017
Bequests and Trusts Contributions	2,662,634	1,487,380	-	4,150,014
Contributions	6,258,289	97,828	51,264	6,407,381
Government and Other Grants	1,122,792	3,177,842	-	4,300,634
Interest and Dividends	50,641	352,318	-	402,959
Unrealized and Realized Gains, Net	217,694	378,931	-	596,625
Change in Value of Charitable Gift Annuities	(24,655)	-	-	(24,655)
Earnings on Beneficial Interest in Assets Held in Trusts	432,642	-	-	432,642
Change in Value of Beneficial Interest in Assets Held in Trusts and Remainder Trust	-	37,833	146,994	184,827
Other	376,958	-	-	376,958
Net Assets Released from Restriction	1,502,414	(1,502,414)	-	-
Total Support and Revenues	<u>26,787,945</u>	<u>4,029,718</u>	<u>198,258</u>	<u>31,015,921</u>
FUNCTIONAL EXPENSES				
Program Services:				
Food Reclamation Center	6,957,614	-	-	6,957,614
Retail Operations	5,106,404	-	-	5,106,404
Food Services and Dining Room Ministry	4,223,067	-	-	4,223,067
Medical/Dental Clinic	2,969,335	-	-	2,969,335
Ozanam Manor Shelter	839,981	-	-	839,981
Special Events and Projects	979,582	-	-	979,582
Conferences and Volunteers	657,955	-	-	657,955
Transient, Homeless, Incarcerated and Medical Equipment Ministries	930,495	-	-	930,495
Total Program Services	<u>22,664,433</u>	<u>-</u>	<u>-</u>	<u>22,664,433</u>
Support Services:				
Management and Administration	1,149,184	-	-	1,149,184
Community Relations	368,020	-	-	368,020
Fund Raising/Development	2,049,165	-	-	2,049,165
Total Support Services	<u>3,566,369</u>	<u>-</u>	<u>-</u>	<u>3,566,369</u>
Total Functional Expenses	<u>26,230,802</u>	<u>-</u>	<u>-</u>	<u>26,230,802</u>
Changes in Net Assets	557,143	4,029,718	198,258	4,785,119
Net Assets - Beginning of Year	<u>11,787,029</u>	<u>3,209,770</u>	<u>16,876,455</u>	<u>31,873,254</u>
NET ASSETS - END OF YEAR	<u>\$ 12,344,172</u>	<u>\$ 7,239,488</u>	<u>\$ 17,074,713</u>	<u>\$ 36,658,373</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, 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	\$ 550,115	\$2,651,118	\$1,519,366	\$1,442,113	\$579,121	\$ 277,758	\$551,434	\$ 316,411	\$ 7,887,436
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	111,033	30,633	245,829	-	578,137	989,019
Equipment and Supplies	15,767	82,636	356,398	51,424	39,398	53,140	62,342	64,637	725,742
Food	320,043	4,639	463,008	677	10,212	251	6,676	126	805,632
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	71,974	37,570	35,382	11,938	5,022	5,653	6,800	209,755
Maintenance and Repairs	48,206	185,823	212,533	20,989	13,694	30,972	2,343	16,088	530,648
Miscellaneous	10,043	290,860	46,708	55,849	556	129,936	7,522	805	542,279
Outside Services	26,982	249,910	96,824	56,836	11,947	65,915	51,117	12,696	572,227
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	13,688	-	124,113
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	115,319	21,156	2,373	6,429	6,059	781	2,359	182,332
Travel/Meetings	582	14,340	4,724	16,873	2,077	59,200	61,949	315	160,060
Utilities	58,883	152,175	154,190	19,707	4,806	22,411	27,631	31,150	470,953
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	\$ 1,074,142	\$ 2,059,599	\$ 9,947,035
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	-	-	-	-	989,019
Equipment and Supplies	83,507	18,920	70,981	173,408	899,150
Food	4,490	50	6,594	11,134	816,766
In-Kind Expenses	1,250	-	415,760	417,010	11,420,796
Insurance	13,405	1,436	6,244	21,085	230,840
Maintenance and Repairs	8,049	20	63	8,132	538,780
Miscellaneous	19,203	333	68,129	87,665	629,944
Outside Services	149,799	44,805	559,154	753,758	1,325,985
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	252,481
Telephone and Postage	17,425	54,960	145,072	217,457	361,392
Transportation Costs	-	-	2,082	2,082	184,414
Travel/Meetings	87,526	7,550	27,608	122,684	282,744
Utilities	7,752	951	1,777	10,480	481,433
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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2014**

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	\$ 530,122	\$2,920,457	\$1,337,921	\$1,097,119	\$ 509,231	\$ 137,576	\$ 439,478	\$ 275,935	\$ 7,247,839
Advertising	-	54,403	-	-	-	-	-	-	54,403
Council Direct Aid	-	-	-	-	-	227,053	-	-	227,053
Depreciation and Amortization	20,591	219,140	360,403	6,316	19,477	11,273	18,963	25,768	681,931
Direct Client Costs	-	-	2,563	204,808	20,550	199,013	120	430,152	857,206
Equipment and Supplies	26,560	60,119	270,779	12,588	28,566	46,165	33,744	26,425	504,946
Food	326,502	2,310	325,679	138	12,817	893	3,609	137	672,085
In-Kind Expenses	5,799,803	42,919	1,367,888	1,446,236	123,488	93,712	6,036	75,339	8,955,421
Insurance	30,940	81,358	41,796	25,207	12,516	365	11,585	8,922	212,689
Maintenance and Repairs	71,275	146,392	166,548	23,174	14,981	3,420	4,742	15,663	446,195
Miscellaneous	14,269	405,315	17,571	2,773	775	111,768	916	1,937	555,324
Outside Services	34,418	293,786	103,648	107,721	53,110	49,308	31,261	14,517	687,769
Printing	-	2,872	240	1,224	227	2,144	13,694	1,126	21,527
Rent	-	456,974	-	-	-	-	-	-	456,974
Security	3,470	26,728	12,904	1,531	4,174	451	1,969	2,899	54,126
Special Events/Projects	-	-	26,095	1,214	-	71,215	3,285	-	101,809
Telephone and postage	6,532	59,209	19,302	9,563	11,527	3,477	13,498	12,279	135,387
Transportation Costs	34,129	129,762	25,182	2,522	7,060	12,627	908	2,507	214,697
Travel/Meetings	217	19,317	5,781	5,450	14,231	8,425	59,156	81	112,658
Utilities	58,786	185,343	138,767	21,751	7,251	697	14,991	36,808	464,394
Totals	\$6,957,614	\$ 5,106,404	\$4,223,067	\$ 2,969,335	\$ 839,981	\$ 979,582	\$ 657,955	\$ 930,495	\$ 22,664,433

(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, 2014**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and Benefits	\$ 809,374	\$ 72,173	\$ 810,051	\$ 1,691,598	\$ 8,939,437
Advertising	1,055	84,220	57,843	143,118	197,521
Council Direct Aid	-	-	-	-	227,053
Depreciation and Amortization	8,938	19,298	105,745	133,981	815,912
Direct Client Costs	-	-	-	-	857,206
Equipment and Supplies	37,448	12,883	71,118	121,449	626,395
Food	1,019	40	1,052	2,111	674,196
In-Kind Expenses	155	-	274,120	274,275	9,229,696
Insurance	14,532	432	1,392	16,356	229,045
Maintenance and Repairs	4,199	297	283	4,779	450,974
Miscellaneous	27,785	3,234	56,079	87,098	642,422
Outside Services	146,435	1,827	405,184	553,446	1,241,215
Printing	735	122,131	63,193	186,059	207,586
Rent	-	-	-	-	456,974
Security	960	320	320	1,600	55,726
Special Events/Projects	715	-	86,939	87,654	189,463
Telephone and Postage	18,065	46,692	80,095	144,852	280,239
Transportation Costs	-	-	653	653	215,350
Travel/Meetings	73,428	3,433	33,136	109,997	222,655
Utilities	4,341	1,040	1,962	7,343	471,737
TOTALS	\$ 1,149,184	\$ 368,020	\$ 2,049,165	\$ 3,566,369	\$ 26,230,802

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, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (2,686,982)	\$ 4,785,119
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization of Property and Equipment	773,946	815,912
Net Realized and Unrealized (Gain) Loss on Investments	863,427	(598,894)
Change in Value of Beneficial Interest in Remainder Trust	23,629	(37,833)
Changes in Value of Beneficial Interests in Assets Held in Trusts	770,512	(146,994)
Contributed Property, Equipment, and Stock	(237,557)	(130,294)
Contributions Restricted for Long-Term Investment	(146,517)	(51,264)
Loss on Disposal of Fixed Assets	18,618	-
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	(107,357)	(36,644)
Contributions Receivable	1,196,000	(643,402)
Other Receivables	6,908	(24,431)
Inventories	(74,650)	(283,376)
Other Assets	9,806	(36,374)
Accounts Payable	57,884	(283,839)
Accrued Expenses	94,279	106,313
Deferred Revenue	-	(635,143)
Charitable Gift Annuities Payable	130,953	24,655
Net Cash Provided by Operating Activities	692,899	2,823,511
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections from Notes Receivable	-	35,425
Issuance of Note Receivable	(35,000)	-
Proceeds from Sale of Investments	1,553,219	623,805
Purchases of Investments	(3,837,548)	(1,159,949)
Purchases of Property and Equipment	(339,814)	(198,781)
Net Cash Used in Investing Activities	(2,659,143)	(699,500)

(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, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	\$ (134,260)	\$ (216,659)
Contributions Restricted for Long-Term Investments	146,517	51,264
Net Cash Provided by (Used in) Financing Activities	12,257	(165,395)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,953,987)	1,958,616
Cash and Cash Equivalents - Beginning of Year	3,037,755	1,079,139
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,083,768	\$ 3,037,755
 SUPPLEMENTAL CASH FLOW INFORMATION		
Contributions of Stock	\$ 187,557	\$ 130,294
Cash Paid for Interest	\$ 11,891	\$ 24,684
Donated Property and Equipment	\$ 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, 2015 AND 2014**

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, 2015 AND 2014**

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.

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 believes that the contributions receivable at September 30, 2015 and 2014 will be collected in full and no allowance for doubtful accounts is considered necessary.

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, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, consisting of donated food and retail products, are stated at their estimated sales value at the time of donation. Donated inventories increased by \$74,650 at September 30, 2015, as compared to September 30, 2014. Donated inventories increased by \$283,376 at September 30, 2014, as compared to September 30, 2013.

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, 2015 and 2014.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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, 2015 AND 2014**

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 nine 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, 2015 AND 2014**

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 eighteen 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.

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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Support Services: (Continued)

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 2014 financial statement amounts to correspond with the 2015 financial statement presentation. Total assets, net assets and the change in net assets for 2014 did not change as a result of the reclassifications.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2015</u>	<u>2014</u>
Contributions Receivable	<u>\$ 104,000</u>	<u>\$ 1,300,000</u>
Gross Amounts Expected in:		
Less than One Year	<u>\$ 104,000</u>	<u>\$ 1,300,000</u>

NOTE 3 NOTE RECEIVABLE INCLUDED IN OTHER RECEIVABLES

Note receivable consists of the following:

	<u>2015</u>	<u>2014</u>
Other Society; Non-Interest Bearing, Unsecured Note Receivable; Original Amount of \$35,000; Any Amounts are Due February 2020	<u>\$ 35,000</u>	<u>\$ -</u>
Total Notes Receivable	<u>\$ 35,000</u>	<u>\$ -</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 4 INVESTMENTS

Investments consist of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 246,227	\$ 246,227	\$ 486,636	\$ 486,636
Mutual Funds	8,717,367	10,120,079	7,350,280	9,769,447
Bonds	2,027,136	2,016,028	1,012,564	1,059,607
Certificates of Deposit	2,106,050	2,133,798	1,541,309	1,591,983
Total Investments	\$ 13,096,780	\$ 14,516,132	\$ 10,390,789	\$ 12,907,673

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.

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.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 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>
Certificate of Deposits	<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, 2015 AND 2014**

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, 2014:

	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Equity Funds	\$ 4,223,957	\$ -	\$ -	\$ 4,223,957
Small Cap	3,221,809	-	-	3,221,809
Large Cap	2,323,681	-	-	2,323,681
Total Mutual Funds	<u>9,769,447</u>	<u>-</u>	<u>-</u>	<u>9,769,447</u>
Certificates of Deposit	<u>-</u>	<u>1,591,983</u>	<u>-</u>	<u>1,591,983</u>
Bonds:				
Government Bond	-	433,852	-	433,852
U.S. Treasury Note	625,755	-	-	625,755
Total Bonds	<u>625,755</u>	<u>433,852</u>	<u>-</u>	<u>1,059,607</u>
Total Investments at Fair Value	<u>\$ 10,395,202</u>	<u>\$ 2,025,835</u>	<u>\$ -</u>	<u>\$ 12,421,037</u>
Beneficial Interest in Remainder Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,167</u>	<u>\$ 299,167</u>
Beneficial Interests in Assets Held in Trusts	<u>\$ -</u>	<u>\$ 8,358,467</u>	<u>\$ 627,680</u>	<u>\$ 8,986,147</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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>2015</u>	<u>2014</u>
Beginning Balance	\$ 926,847	\$ 1,022,529
Total Gains and Losses (Realized/Unrealized) Included in Changes in Net Assets	(66,924)	(95,682)
Purchases	-	-
Ending Balance	<u>\$ 859,923</u>	<u>\$ 926,847</u>
 Change in Unrealized Gains (Losses) for the Period Included in the Change in Net Assets Related to Investments Still Held At End of Reporting Period.	 <u>\$ (66,924)</u>	 <u>\$ (95,682)</u>

NOTE 6 INVENTORIES

Inventories consist of the following:

	<u>2015</u>	<u>2014</u>
Food	\$ 1,064,747	\$ 1,045,894
Retail Products	446,320	390,523
Total Inventories	<u>\$ 1,511,067</u>	<u>\$ 1,436,417</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, 2015 AND 2014**

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

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

	<u>2015</u>	<u>2014</u>
Sole Beneficiary of Two Irrevocable Trusts	\$ 7,631,250	\$ 8,358,467
Joint Beneficiary of One Irrevocable Trust	164,421	184,230
Assets Held by the Catholic Community Foundation	419,964	443,450
Total Beneficial Interests in Assets Held in Trusts	<u>\$ 8,215,635</u>	<u>\$ 8,986,147</u>

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

	<u>2015</u>	<u>2014</u>
Gain (Loss) from the Change in the Fair Value of the Trusts' Assets	<u>\$ (770,512)</u>	<u>\$ 146,994</u>
Income from the Trusts	<u>\$ 444,503</u>	<u>\$ 432,642</u>

NOTE 8 LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consist of the following:

Depreciation and amortization expense was \$773,946 and \$815,912 for the years ended September 30, 2015 and 2014, respectively.

	<u>2015</u>	<u>2014</u>
Land	\$ 3,380,596	\$ 3,380,596
Building and Improvements	10,576,433	10,357,097
Equipment	2,835,916	2,884,258
Automobile and Trucks	1,000,858	1,050,827
Website/Software	335,340	312,099
Leasehold Improvements	207,407	161,984
Construction in Progress	35,220	-
Total	<u>18,371,770</u>	<u>18,146,861</u>
Less Accumulated Depreciation and Amortization	<u>(8,405,223)</u>	<u>(7,777,564)</u>
Land, Property and Equipment, Net	<u>\$ 9,966,547</u>	<u>\$ 10,369,297</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 INVESTMENT IN HUMAN SERVICES CAMPUS, LLC

The Council has previously entered into an Operating Agreement and is a managing member of The Human Services Campus, LLC (the "Campus"). The Campus is 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, the members of the Human Services Campus, LLC and their interests were as follows:

	<u>2015</u>	<u>2014</u>
The Society of St. Vincent de Paul	50.0%	50.0%
Central Arizona Shelter Services, Inc.	50.0%	50.0%

All members of the Campus as well as Healthcare for the Homeless as appointed by the Maricopa County Board of Supervisors and St. Joseph the Worker Jobs Services, Inc. and Northwest Organization for Voluntary Alternatives, Inc. are managers. The Council's share of operating expenses for the Campus was \$40,765 and \$41,595 during 2015 and 2014, respectively. The Council owns and operates a charity dining room as part of the campus.

NOTE 10 NOTES PAYABLE

Notes payable consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable to a financial institution, original amount of \$337,979; payable in monthly installments of \$2,870; including interest at 7.75%; through May 2019; secured by deed of trust	\$ 109,626	\$ 134,515
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.	1,368.00	17,209.00
Note payable to a financial institution; original amount of \$521,096; paid in monthly installments of \$15,865; including interest at 6.05%; paid off in May 2015.	-	93,530
Total	<u>110,994</u>	<u>245,254</u>
Less: Current Maturities	<u>(28,257)</u>	<u>(134,260)</u>
Long-Term Maturities of Notes Payable	<u>\$ 82,737</u>	<u>\$ 110,994</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 10 NOTES PAYABLE (CONTINUED)

Future maturities of the notes payable after September 30, 2015, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 28,257
2017	29,047
2018	31,380
2019	22,310
Total	<u>\$ 110,994</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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Pounds Received from Grocery Stores and Food Drives	3,602,380	2,783,949
Pounds Received from USDA	1,519,110	1,815,064
Total Food Received in Pounds	<u>5,121,490</u>	<u>4,599,013</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	\$ 6,015,975	\$ 4,649,195
Estimated Value of Food Received from USDA	1,064,566	1,506,443
Total Food	7,080,541	6,155,638
Total Items for Program Use	2,488,470	1,984,376
Professional Volunteer Support and Expenses	1,515,338	1,134,911
Medical/Dental Supplies and Procedures	355,226	310,594
Donated Fixed Assets	50,000	-
Total In-Kind Contributions	<u>\$ 11,489,575</u>	<u>\$ 9,585,519</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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>2015</u>	<u>2014</u>
Professional Volunteer Hours	20,702	18,915
Non-Professional Volunteer Hours	252,912	256,311

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 \$472,265 and \$456,974 for the years ended September 30, 2015 and 2014, respectively.

The Council also enters into long term leases for vehicles and other equipment for use in operations. Equipment and vehicle lease expense was \$63,862 and \$80,170 for the years ended September 30, 2015 and 2014, respectively.

Future minimum payments under all lease commitments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 471,353
2017	191,383
2018	150,088
2019	150,088
2020	122,192
Total	<u>\$ 1,085,104</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS

Temporarily restricted net assets are restricted by the donor for the following purposes at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Any Council Operations (Time Restricted)	\$ 1,523,013	\$ 2,858,532
Unappropriated Endowment Earnings (Time Restricted)	325,789	999,417
Ozanam Manor Shelter (Time and Purpose Restricted)	-	77,500
Medical/Dental Clinic (Time and Purpose Restricted)	521,609	792,797
Retail Operations (Time and Purpose Restricted)	2,500	15,000
Dining Rooms and Food (Purpose restricted)	162,812	500,091
Beneficial Interest in Remainder Trust	275,538	299,167
Human Services Campus - Building	1,644,364	1,696,984
Total	<u>\$ 4,455,625</u>	<u>\$ 7,239,488</u>

Net assets of \$3,627,782 and \$1,502,414 were released from restrictions during 2015 and 2014, 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, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Endowments:		
Medical/Dental Clinic Operations	\$ 6,496,539	\$ 6,492,637
Ministries	35,000	32,500
Conferences	229,100	93,085
General	32,700	28,600
Dining Room	250,500	250,500
Scholarship Fund	20,000	20,000
Donor Endowments	<u>7,063,839</u>	<u>6,917,322</u>
Beneficial Interest in Assets Held in Trust:		
Providing Food and Shelter to the Needy	6,723,538	7,351,790
Any Council Operations	1,327,676	1,450,128
Dining Room Operations	164,421	184,229
Total Beneficial Interest in Assets Held in Trust:	<u>8,215,635</u>	<u>8,986,147</u>
Other:		
Human Services Campus (Land)	1,171,244	1,171,244
Total	<u>\$ 16,450,718</u>	<u>\$ 17,074,713</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, 2015 AND 2014**

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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 13 RESTRICTED ASSETS AND DESIGNATED FUNDS (CONTINUED)

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 Depreciation	(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>

Endowment Net Asset Composition by Type of Fund as of September 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Fund	\$ -	\$ 999,417	\$ 6,917,322	\$ 7,916,739
Board Designated Endowment	322,380	-	-	322,380
	<u>\$ 322,380</u>	<u>\$ 999,417</u>	<u>\$ 6,917,322</u>	<u>\$ 8,239,119</u>

Changes in endowment net assets for the year ended September 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 628,168	\$ 6,866,058	\$ 7,494,226
Investment Return:				
Investment Income	-	352,318	-	352,318
Net Appreciation	-	378,931	-	378,931
Total Investment Return	<u>-</u>	<u>731,249</u>	<u>-</u>	<u>731,249</u>
Contributions	-	-	51,264	51,264
Board Designated Contribution	322,380	-	-	322,380
Appropriation of Assets for Expenditure	<u>-</u>	<u>(360,000)</u>	<u>-</u>	<u>(360,000)</u>
Endowment Net Assets - End of Year	<u>\$ 322,380</u>	<u>\$ 999,417</u>	<u>\$ 6,917,322</u>	<u>\$ 8,239,119</u>

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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, 2015 and 2014.

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 one year 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 over five years. The Council's contribution expense was \$250,216 and \$262,824, during the years ended September 30, 2015 and 2014, respectively.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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, periodically 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 \$75,957 and \$119,093 as of September 30, 2015 and 2014, 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 a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. 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 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 19, 2016, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2015, but prior to January 19, 2016, that provided additional evidence about conditions that existed at September 30, 2015, have been recognized in the financial statements for the year ended September 30, 2015. Events or transactions that provided evidence about conditions that did not exist at September 30, 2015, 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, 2015.