

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

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**



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CONSULTING**

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
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YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

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

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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 6, 2019

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
Cash and Cash Equivalents	\$ 2,057,431	\$ 1,081,310
Accounts Receivable, Net	119,765	165,284
Contributions and Grants Receivable, Net	2,011,641	1,117,253
Other Receivables	356,772	158,162
Investments	18,374,906	15,648,120
Inventories	1,592,668	1,255,216
Beneficial Interest in Remainder Trust	289,999	292,366
Beneficial Interests in Assets Held in Trusts	9,454,080	9,405,668
Assets Restricted for Capital Campaign:		
Cash	811,718	7,445,174
Pledges Receivable, Less Unamortized Discount	3,241,545	3,319,089
Land, Property, and Equipment, Net	19,534,827	11,852,408
Other Assets	238,932	139,168
	<b>\$ 58,084,284</b>	<b>\$ 51,879,218</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 967,394	\$ 1,130,869
Accrued Expenses and Other Liabilities	822,411	1,450,516
Charitable Gift Annuities Payable	1,139,675	1,087,742
Note Payable	19,582	51,166
Total Liabilities	2,949,062	3,720,293
<b>NET ASSETS</b>		
Unrestricted	23,769,452	14,223,144
Temporarily Restricted	10,215,833	15,735,846
Permanently Restricted	21,149,937	18,199,935
Total Net Assets	55,135,222	48,158,925
	<b>\$ 58,084,284</b>	<b>\$ 51,879,218</b>

See accompanying Notes to Financial Statements.

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

	2018			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
<b>SUPPORT AND REVENUES</b>				
In-Kind Contributions	\$ 13,796,325	\$ -	\$ -	\$ 13,796,325
Donated Merchandise	3,991,310	-	-	3,991,310
Bequests and Trusts Contributions	1,898,469	614,298	-	2,512,767
Contributions	10,004,793	80,659	2,901,590	12,987,042
Contributions - Capital Campaign	-	2,458,623	-	2,458,623
Government and Other Grants	2,439,021	1,831,254	-	4,270,275
Interest and Dividends	132,485	335,349	-	467,834
Unrealized and Realized Gains, Net	44,194	225,959	-	270,153
Change in Value of Charitable Gift Annuities	(56,524)	-	-	(56,524)
Earnings on Beneficial Interest in Assets Held in Trusts	482,933	-	-	482,933
Change in Value of Beneficial Interest in Assets Held in Trusts and Remainder Trust	-	(2,367)	48,412	46,045
Other	841,333	-	-	841,333
Net Assets Released from Restriction	11,063,788	(11,063,788)	-	-
Total Support and Revenues	<u>44,638,127</u>	<u>(5,520,013)</u>	<u>2,950,002</u>	<u>42,068,116</u>
<b>EXPENSES AND LOSSES</b>				
Program Services:				
Food Reclamation Center	8,785,397	-	-	8,785,397
Retail Operations	4,750,124	-	-	4,750,124
Food Services and Dining Room Ministry	5,433,822	-	-	5,433,822
Medical/Dental Clinic	5,836,232	-	-	5,836,232
Shelter Operations	1,733,975	-	-	1,733,975
Special Events and Projects	1,200,189	-	-	1,200,189
Conferences and Volunteers	1,090,725	-	-	1,090,725
Transient, Homeless, Incarcerated, and Medical Equipment Ministries	1,672,464	-	-	1,672,464
Total Program Services	<u>30,502,928</u>	<u>-</u>	<u>-</u>	<u>30,502,928</u>
Support Services:				
Management and Administration	1,641,900	-	-	1,641,900
Community Relations	731,611	-	-	731,611
Fund Raising/Development	2,518,935	-	-	2,518,935
Total Support Services	<u>4,892,446</u>	<u>-</u>	<u>-</u>	<u>4,892,446</u>
Total Functional Expenses	<u>35,395,374</u>	<u>-</u>	<u>-</u>	<u>35,395,374</u>
Gains:				
Settlement Income	167,349	-	-	167,349
Gain on Disposal of Property and Equipment	136,206	-	-	136,206
Total Gains	<u>303,555</u>	<u>-</u>	<u>-</u>	<u>303,555</u>
Changes in Net Assets	9,546,308	(5,520,013)	2,950,002	6,976,297
Net Assets - Beginning of Year	14,223,144	15,735,846	18,199,935	48,158,925
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 23,769,452</u>	<u>\$ 10,215,833</u>	<u>\$ 21,149,937</u>	<u>\$ 55,135,222</u>

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2017**

	2017			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
<b>SUPPORT AND REVENUES</b>				
In-Kind Contributions	\$ 13,526,235	\$ -	\$ -	\$ 13,526,235
Donated Merchandise	4,067,970	-	-	4,067,970
Bequests and Trusts Contributions	572,629	630,000	-	1,202,629
Contributions	10,443,941	151,256	337,881	10,933,078
Contributions - Capital Campaign	-	8,033,173	-	8,033,173
Government and Other Grants	2,558,593	135,000	-	2,693,593
Interest and Dividends	117,703	291,004	-	408,707
Unrealized and Realized Gains, Net	230,377	1,264,793	-	1,495,170
Change in Value of Charitable Gift Annuities	(118,440)	-	-	(118,440)
Earnings on Beneficial Interest in Assets Held in Trusts	468,808	-	-	468,808
Change in Value of Beneficial Interest in Assets Held in Trusts and Remainder Trust	-	16,113	825,505	841,618
Other	975,746	-	-	975,746
Net Assets Released from Restriction	4,859,479	(4,859,479)	-	-
Total Support and Revenues	<u>37,703,041</u>	<u>5,661,860</u>	<u>1,163,386</u>	<u>44,528,287</u>
<b>EXPENSES AND LOSSES</b>				
Program Services:				
Food Reclamation Center	9,378,122	-	-	9,378,122
Retail Operations	4,859,902	-	-	4,859,902
Food Services and Dining Room Ministry	4,958,594	-	-	4,958,594
Medical/Dental Clinic	5,315,423	-	-	5,315,423
Shelter Operations	1,691,528	-	-	1,691,528
Special Events and Projects	1,210,137	-	-	1,210,137
Conferences and Volunteers	946,672	-	-	946,672
Transient, Homeless, Incarcerated, and Medical Equipment Ministries	1,299,513	-	-	1,299,513
Total Program Services	<u>29,659,891</u>	<u>-</u>	<u>-</u>	<u>29,659,891</u>
Support Services:				
Management and Administration	1,485,071	-	-	1,485,071
Community Relations	699,700	-	-	699,700
Fund Raising/Development	2,322,757	-	-	2,322,757
Total Support Services	<u>4,507,528</u>	<u>-</u>	<u>-</u>	<u>4,507,528</u>
Total Functional Expenses	<u>34,167,419</u>	<u>-</u>	<u>-</u>	<u>34,167,419</u>
Losses:				
Loss on Uncollectable Promises to Give	929,676	-	-	929,676
Total Losses	<u>929,676</u>	<u>-</u>	<u>-</u>	<u>929,676</u>
Total Expenses and Losses	<u>35,097,095</u>	<u>-</u>	<u>-</u>	<u>35,097,095</u>
Changes in Net Assets	2,605,946	5,661,860	1,163,386	9,431,192
Net Assets - Beginning of Year	11,617,198	10,073,986	17,036,549	38,727,733
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 14,223,144</u>	<u>\$ 15,735,846</u>	<u>\$ 18,199,935</u>	<u>\$ 48,158,925</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, 2018**

	Program Services								
	Food Reclamation Center	Retail Operations	Food Services and Dining Room Ministry	Medical/ Dental Clinic	Shelter Operations	Special Events and Projects	Conferences and Volunteers	Transient, Homeless, Incarcerated, and Medical Equipment Ministries	Total Program Services
Salaries and Benefits	\$ 556,142	\$ 2,773,618	\$ 1,711,178	\$ 1,622,025	\$ 1,095,221	\$ 373,005	\$ 685,143	\$ 521,500	\$ 9,337,832
Advertising	-	24,418	-	-	-	-	-	-	24,418
Council Direct Aid	-	-	-	-	-	194,565	-	-	194,565
Depreciation and Amortization	25,059	100,891	402,362	37,575	30,169	21,499	25,533	42,535	685,623
Direct Client Costs	53	677	52,324	255,207	30,027	150,614	67	811,420	1,300,389
Equipment and Supplies	25,994	150,539	245,763	27,680	125,542	35,624	59,908	46,896	717,946
Food	175,954	-	555,059	1,391	5,030	382	1,134	-	738,950
In-Kind Expenses	7,704,304	265	1,635,673	3,679,527	202,492	45,679	10,867	113,997	13,392,804
Insurance	35,822	55,900	42,722	17,054	15,125	12,791	3,623	7,949	190,986
Maintenance and Repairs	139,600	152,454	293,539	39,972	86,274	71,596	12,890	47,104	843,429
Miscellaneous	4,692	216,590	49,727	13,793	14,346	133,606	20,179	6,956	459,889
Outside Services	7,383	198,662	178,608	38,766	9,538	65,799	54,910	8,443	562,109
Printing	4,409	4,986	1,586	1,183	608	2,728	13,269	149	28,918
Rent	-	569,874	-	-	-	-	-	-	569,874
Security	4,499	30,877	18,328	4,373	12,890	4,396	1,383	5,298	82,044
Special Events/Projects	-	-	20,050	1,055	3,112	25,979	3,274	-	53,470
Telephone and Postage	7,553	51,913	30,449	17,228	21,918	14,401	18,132	16,738	178,332
Transportation Costs	37,323	220,873	23,591	3,031	13,369	10,259	2,516	3,672	314,634
Travel/Meetings	621	13,076	16,972	53,079	5,131	4,229	124,935	5,034	223,077
Utilities	55,989	184,511	155,891	23,293	63,183	33,037	52,962	34,773	603,639
<b>Total</b>	<b>\$ 8,785,397</b>	<b>\$ 4,750,124</b>	<b>\$ 5,433,822</b>	<b>\$ 5,836,232</b>	<b>\$ 1,733,975</b>	<b>\$ 1,200,189</b>	<b>\$ 1,090,725</b>	<b>\$ 1,672,464</b>	<b>\$ 30,502,928</b>

(Continued)

See accompanying Notes to Financial Statements.



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

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and Benefits	\$ 1,111,263	\$ 166,618	\$ 1,183,470	\$ 2,461,351	\$ 11,799,183
Advertising	1,108	345,107	51,641	397,856	422,274
Council Direct Aid	-	-	-	-	194,565
Depreciation and Amortization	13,416	3,700	2,956	20,072	705,695
Direct Client Costs	5	38	16	59	1,300,448
Equipment and Supplies	72,542	24,032	61,693	158,267	876,213
Food	-	-	-	-	738,950
In-Kind Expenses	15,367	35,759	4,853	55,979	13,448,783
Insurance	12,520	2,071	6,936	21,527	212,513
Maintenance and Repairs	8,643	1,964	8,908	19,515	862,944
Miscellaneous	36,049	1,258	119,574	156,881	616,770
Outside Services	257,383	2,391	681,833	941,607	1,503,716
Printing	2,706	108,004	62,653	173,363	202,281
Rent	-	-	-	-	569,874
Security	558	186	4,729	5,473	87,517
Special Events/Projects	-	354	154,272	154,626	208,096
Telephone and Postage	32,752	38,513	108,111	179,376	357,708
Transportation Costs	2,991	129	919	4,039	318,673
Travel/Meetings	69,781	771	61,756	132,308	355,385
Utilities	4,816	716	4,615	10,147	613,786
<b>Total</b>	<b>\$ 1,641,900</b>	<b>\$ 731,611</b>	<b>\$ 2,518,935</b>	<b>\$ 4,892,446</b>	<b>\$ 35,395,374</b>

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2017**

	Program Services								
	Food Reclamation Center	Retail Operations	Food Services and Dining Room Ministry	Medical/ Dental Clinic	Shelter Operations	Special Events and Projects	Conferences and Volunteers	Transient, Homeless, Incarcerated, and Medical Equipment Ministries	Total Program Services
Salaries and Benefits	\$ 451,544	\$ 2,646,530	\$ 1,730,659	\$ 1,524,555	\$ 1,089,648	\$ 360,907	\$ 572,778	\$ 404,801	\$ 8,781,422
Advertising	-	36,700	3,284	-	-	25,000	58	108	65,150
Council Direct Aid	-	-	-	-	-	106,838	44,301	-	151,139
Depreciation and Amortization	25,917	96,173	370,717	16,199	25,103	21,391	25,323	43,478	624,301
Direct Client Costs	48	59	57,502	272,617	33,182	217,810	429	539,238	1,120,885
Equipment and Supplies	14,878	54,735	316,924	39,875	88,660	39,860	52,825	57,415	665,172
Food	314,037	-	465,852	2,098	6,139	299	-	-	788,425
In-Kind Expenses	8,315,608	102	1,326,367	3,239,727	213,440	75,242	7,670	152,156	13,330,312
Insurance	32,039	58,067	40,550	20,060	15,618	8,862	3,310	8,138	186,644
Maintenance and Repairs	77,478	270,982	262,443	38,149	47,296	46,587	7,710	27,630	778,275
Miscellaneous	7,473	342,219	37,046	36,332	9,481	83,649	6,452	5,409	528,061
Outside Services	42,079	428,410	91,339	65,039	60,988	105,359	49,967	4,760	847,941
Printing	1,635	1,800	1,953	1,428	20	5,800	18,167	1,776	32,579
Rent	-	554,049	-	-	-	2,384	-	-	556,433
Security	2,531	26,969	19,773	2,714	10,356	616	2,435	3,358	68,752
Special Events/Projects	7,399	-	20,340	1,988	156	44,870	1,937	300	76,990
Telephone and postage	5,537	47,670	25,940	15,864	19,420	13,957	18,918	15,087	162,393
Transportation Costs	21,039	111,806	19,853	2,425	7,785	20,238	995	2,939	187,080
Travel/Meetings	556	7,802	12,213	16,348	14,256	5,168	68,308	7,761	132,412
Utilities	58,324	175,829	155,839	20,005	49,980	25,300	65,089	25,159	575,525
<b>Total</b>	<b>\$ 9,378,122</b>	<b>\$ 4,859,902</b>	<b>\$ 4,958,594</b>	<b>\$ 5,315,423</b>	<b>\$ 1,691,528</b>	<b>\$ 1,210,137</b>	<b>\$ 946,672</b>	<b>\$ 1,299,513</b>	<b>\$ 29,659,891</b>

(Continued)

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2017**

Support Services

	Management and Administration	Community Relations	Fund Raising/ Development	Total Support Services	Total Functional Expenses
Salaries and Benefits	\$ 984,476	\$ 161,555	\$ 1,181,620	\$ 2,327,651	\$ 11,109,073
Advertising	2,426	192,306	67,428	262,160	327,310
Council Direct Aid	-	-	-	-	151,139
Depreciation and Amortization	12,993	3,620	2,649	19,262	643,563
Direct Client Costs	6	2	13	21	1,120,906
Equipment and Supplies	65,872	16,185	33,063	115,120	780,292
Food	-	-	26	26	788,451
In-Kind Expenses	10,251	3	5,948	16,202	13,346,514
Insurance	12,582	1,974	6,918	21,474	208,118
Maintenance and Repairs	14,584	1,963	12,115	28,662	806,937
Miscellaneous	40,389	288	104,802	145,479	673,540
Outside Services	237,273	79,363	541,050	857,686	1,705,627
Printing	2,155	165,839	15,186	183,180	215,759
Rent	-	-	-	-	556,433
Security	849	283	13,855	14,987	83,739
Special Events/Projects	-	-	167,522	167,522	244,512
Telephone and Postage	23,284	72,809	108,674	204,767	367,160
Transportation Costs	1,363	103	730	2,196	189,276
Travel/Meetings	71,550	2,694	56,503	130,747	263,159
Utilities	5,018	713	4,655	10,386	585,911
<b>Total</b>	<b>\$ 1,485,071</b>	<b>\$ 699,700</b>	<b>\$ 2,322,757</b>	<b>\$ 4,507,528</b>	<b>\$ 34,167,419</b>

See accompanying Notes to Financial Statements.

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
ST. VINCENT DE PAUL, DIOCESE OF PHOENIX  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 6,976,297	\$ 9,431,192
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization of Property and Equipment	705,695	643,563
Net Realized and Unrealized Gain on Investments	(270,153)	(1,495,170)
Change in Value of Beneficial Interest in Remainder Trust	2,367	(16,113)
Change in Value of Beneficial Interests in Assets Held in Trusts	(48,412)	(825,505)
Change in Discount to Present Value of Contributions Receivable	146,723	103,588
Provision for Inventory Reserve	100,000	-
Contributed Property, Equipment, and Stock	-	(800,848)
Contributions Restricted for Long-Term Investment	(2,901,590)	-
Contributions Restricted for Investment in Property and Equipment	(2,458,623)	(6,234,697)
(Gain) Loss on Disposal of Fixed Assets	(136,206)	5,904
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	45,519	105,650
Contributions and Grants Receivable	(963,567)	791,574
Other Receivables	(198,610)	183,023
Inventories	(437,452)	262,205
Other Assets	(99,764)	(324)
Accounts Payable	(163,475)	649,628
Accrued Expenses and Other Liabilities	(628,105)	508,537
Charitable Gift Annuities Payable	51,933	99,636
Net Cash Provided (Used) by Operating Activities	(277,423)	3,411,843
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	4,598,821	1,381,499
Purchases of Investments	(7,055,454)	(1,281,087)
Proceeds from Sale of Property and Equipment	272,408	-
Purchases of Property and Equipment	(8,524,316)	(2,550,283)
Net Cash Used by Investing Activities	(10,708,541)	(2,449,871)

(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, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Note Payable	\$ (31,584)	\$ (31,572)
Contributions Restricted for Investment in Property and Equipment	2,458,623	4,203,892
Contributions Restricted for Long-Term Investments	2,901,590	-
Net Cash Provided by Financing Activities	5,328,629	4,172,320
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 (5,657,335)	 5,134,292
Cash and Cash Equivalents - Beginning of Year	8,526,484	3,392,192
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,869,149</b>	<b>\$ 8,526,484</b>
 Cash and Cash Equivalents consists of the following:		
Cash and Cash Equivalents	\$ 2,057,431	\$ 1,081,310
Cash Restricted for Capital Campaign	811,718	7,445,174
Cash and Cash Equivalents - End of Year	\$ 2,869,149	\$ 8,526,484
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Contributions of Stock	\$ 274,921	\$ 446,848
Cash Paid for Interest	\$ 2,861	\$ 5,756
Donated Property and Equipment	\$ -	\$ 354,000

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, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix (the Council) is a Catholic organization of Catholic and non-Catholic laypersons operating as a nonprofit corporation, without capital stock, throughout central and northern Arizona. The Council provides food to the needy, medical, and dental services, and direct assistance to individuals through its Transient Aid Center, Ministry to the Homeless, Ministry to the Incarcerated/Families, Dining Room Ministry, Medical/Dental Clinic, Parish Conferences, and Shelter Operations, among other programs. The Council also accepts donated household and other items for distribution to the needy and for sale, primarily in its thrift stores.

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

**Basis of Presentation**

The 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, 2018 AND 2017**

**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 is 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 was \$100,000 as of September 30, 2018 and 2017.

**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, 2018 AND 2017**

**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 and medical supplies, are stated at the estimated sales value at the time of donation. Inventories increased by \$337,452, net of a \$100,000 provision for inventory reserve as of September 30, 2018, as compared to September 30, 2017. Inventories decreased by \$262,205 at September 30, 2017, as compared to September 30, 2016.

**Beneficial Interest in Remainder Trust**

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

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

The Council receives contributions of investment assets in which the Council retains an interest. The assets are invested in debt and equity securities and administered by unrelated trustees, and distributions are made to the Council. Non-perpetual trust investments are valued using the net asset value (NAV) per share (or its equivalent), as a practical expedient. Perpetual trust investments held by a third-party trustee, other than a community foundation, are valued at fair value based on upon quoted market prices, when available; and when not available, are recorded at estimated fair value. Perpetual trust investments held by a community foundation are valued at the investment percentage in the investment pool. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as trust contributions and change in value of beneficial interest in assets held in trust.

**Land, Property, and Equipment**

Land, property, and equipment are initially recorded at cost and donated property and equipment are recorded at fair value at the date of gift. Betterments and renewals in excess of \$10,000 are capitalized. Property construction-in-progress is stated at cost and not depreciated. The property will be transferred to buildings and improvements upon completion. Depreciation is provided using the straight-line method over their respective useful lives, which range from 3 to 40 years.



**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
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SEPTEMBER 30, 2018 AND 2017**

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

**Impairment of Long-Lived Assets**

The Council reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe that any impairment indicators were present as of September 30, 2018 and 2017.

**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.

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

**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.

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

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

**Functional Expenses**

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

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

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

**Functional Expenses (Continued)**

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

Program Services

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

Retail Operations: Activities of retail operations include operating 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.

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 21 dining locations operated by other nonprofit groups throughout Maricopa County. Other services provided by the dining room ministry include educational programs for children and parents, on-site referrals for additional assistance, and a special program offering homeless individuals job training and structure. Additionally, our urban farms activities include growing a variety of fruits and vegetables to be included in our prepared meals and added to food boxes for families.

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

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

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

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

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses (Continued)**

Program Services (Continued)

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.

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.

**Reclassification**

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

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
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SEPTEMBER 30, 2018 AND 2017**

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

Contributions, grants, and pledges receivable include pledges, grants, and capital campaign pledges that have been discounted at a rate of approximately 3.00% at September 30, 2018 and 2017. The following is a summary of the contributions receivable at September 30:

Total receivables consist of the following:

	2018	2017
Contributions and Grants Receivable, Net	\$ 2,011,641	\$ 1,117,253
Pledges Receivable, Net	3,241,545	3,319,089
Total Receivables, Net	<u>\$ 5,253,186</u>	<u>\$ 4,436,342</u>
Total Amounts Due in:		
One Year	\$ 2,765,298	\$ 2,200,731
Two to Five Years	2,985,000	2,586,000
Gross Contributions Receivable	5,750,298	4,786,731
Less: Discount to Present Value	(397,112)	(250,389)
Less: Allowance for Uncollectable Pledges	(100,000)	(100,000)
Total Receivables, Net	<u>\$ 5,253,186</u>	<u>\$ 4,436,342</u>

**NOTE 3 INVESTMENTS**

Investments consist of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 156,807	\$ 156,808	\$ 190,910	\$ 190,910
Mutual Funds	11,687,942	14,312,489	9,404,469	12,393,685
Bonds	1,928,345	1,890,902	1,259,755	1,263,692
Certificates of Deposit	2,033,414	2,014,707	1,764,054	1,799,833
Total Investments	<u>\$ 15,806,508</u>	<u>\$ 18,374,906</u>	<u>\$ 12,619,188</u>	<u>\$ 15,648,120</u>

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

**Investments**

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

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

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

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

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

The following tables present assets measured at fair value by classification within the fair value hierarchy as of September 30, 2018 and 2017:

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

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

<u>September 30, 2018</u>	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Equity Funds	\$ 5,700,254	\$ -	\$ -	\$ 5,700,254
Small Cap	6,298,565	-	-	6,298,565
Large Cap	2,313,670	-	-	2,313,670
Total Mutual Funds	14,312,489	-	-	14,312,489
Certificates of Deposit	-	2,014,707	-	2,014,707
Bonds:				
Government Bond	-	254,395	-	254,395
U.S. Treasury Note	1,636,507	-	-	1,636,507
Total Bonds	1,636,507	254,395	-	1,890,902
Total Investments at Fair Value	\$ 15,948,996	\$ 2,269,102	\$ -	\$ 18,218,098
Beneficial Interest in Remainder Trust	\$ -	\$ -	\$ 289,999	\$ 289,999
Beneficial Interests in Assets Held in Trusts	\$ -	\$ -	\$ 653,499	\$ 653,499
Investments Measured at NAV Basis				8,800,581
				\$ 9,454,080
<u>September 30, 2017</u>	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Equity Funds	\$ 4,818,724	\$ -	\$ -	\$ 4,818,724
Small Cap	5,055,898	-	-	5,055,898
Large Cap	2,519,063	-	-	2,519,063
Total Mutual Funds	12,393,685	-	-	12,393,685
Certificates of Deposit	-	1,799,833	-	1,799,833
Bonds:				
Government Bond	-	409,808	-	409,808
U.S. Treasury Note	853,884	-	-	853,884
Total Bonds	853,884	409,808	-	1,263,692
Total Investments at Fair Value	\$ 13,247,569	\$ 2,209,641	\$ -	\$ 15,457,210
Beneficial Interest in Remainder Trust	\$ -	\$ -	\$ 292,366	\$ 292,366
Beneficial Interests in Assets Held in Trusts	\$ -	\$ -	\$ 648,795	\$ 648,795
Investments Measured at NAV Basis				8,756,873
				\$ 9,405,668

**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

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

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

	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 941,161	\$ 892,952
Total Gains and Losses (Realized/Unrealized) Included in Changes in Net Assets	2,337	48,209
Purchases	-	-
Ending Balance	<u>\$ 943,498</u>	<u>\$ 941,161</u>
 Change in Unrealized Gains for the Period Included in the Change in Net Assets Related to Investments Held at End of Reporting Period	 <u>\$ 2,337</u>	 <u>\$ 48,209</u>

**NOTE 5 INVENTORIES**

Inventories consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Food	\$ 513,046	\$ 607,487
Retail Products	272,471	243,433
Other	807,151	404,296
Total Inventories	<u>\$ 1,592,668</u>	<u>\$ 1,255,216</u>

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

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

The Council is a joint beneficiary of the income earned on the assets of another irrevocable trust in perpetuity. The income distributed is to be used to benefit the operations of the Council's dining rooms.

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



**THE DIOCESAN COUNCIL OF THE SOCIETY OF  
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SEPTEMBER 30, 2018 AND 2017**

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

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

	<u>2018</u>	<u>2017</u>
Sole Beneficiary of Two Irrevocable Non-Perpetual Trusts	\$ 8,800,581	\$ 8,756,873
Joint Beneficiary of One Irrevocable Perpetual Trust	177,062	177,503
Assets Held by the Catholic Community Foundation	476,437	471,292
Total Beneficial Interests in Assets Held in Trusts	<u>\$ 9,454,080</u>	<u>\$ 9,405,668</u>

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

	<u>2018</u>	<u>2017</u>
Gain from the Change in the Fair Value of the Trusts' Assets	\$ 48,412	\$ 825,505
Income from the Trusts	<u>\$ 482,933</u>	<u>\$ 468,808</u>

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

Land, property, and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 4,294,302	\$ 4,281,933
Building and Improvements	18,070,283	10,318,171
Equipment	3,187,648	2,702,554
Automobile and Trucks	786,946	1,215,756
Website/Software	441,841	415,841
Leasehold Improvements	167,556	211,427
Construction in Progress	1,537,682	1,706,062
Total	28,486,258	20,851,744
Less: Accumulated Depreciation and Amortization	<u>(8,951,431)</u>	<u>(8,999,336)</u>
Land, Property, and Equipment, Net	<u>\$ 19,534,827</u>	<u>\$ 11,852,408</u>

Depreciation and amortization expense was \$705,695 and \$643,563 for the years ended September 30, 2018 and 2017, respectively. Interest expense has not been capitalized on the construction in progress due to its immateriality to the financial statements as a whole.

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

The Council operates a facility adjacent to other activities of The Human Services Campus, Inc. (the Campus). The Campus provides leadership and high quality human services to those in need. The Council also retains two seats on the board of directors of the Campus, not subject to Campus's approval, and the Society does not exercise control over the Campus. The Council's share of common expenses was \$80,739 and \$44,431 during 2018 and 2017, respectively.

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

Note payable consists of the following at September 30:

<u>Description</u>	<u>2018</u>	<u>2017</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	\$ 19,582	\$ 51,166
Total	19,582	51,166
Less: Current Maturities	<u>(19,582)</u>	<u>(28,856)</u>
Long-Term Maturities of Note Payable	<u>\$ -</u>	<u>\$ 22,310</u>

Future maturities of the note payable after September 30, 2018, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	<u>\$ 19,582</u>
Total	<u>\$ 19,582</u>

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

In May 2018, the Council entered into a business loan agreement with a bank maturing April 2022. The business loan agreement has a maximum borrowing limit of \$4,000,000 and accrues interest at a fixed rate of 4.25% on outstanding advances. The line of credit is secured by the Council's real and personal property and is subject to certain financial covenants. As of September 30, 2018, there were no amounts outstanding under the business loan agreement.

**NOTE 10 IN-KIND CONTRIBUTIONS**

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

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

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

	<u>2018</u>	<u>2017</u>
Pounds Received from Grocery Stores and Food Drives	4,221,852	3,995,238
Pounds Received from USDA	660,313	2,043,756
Total Food Received in Pounds	<u>4,882,165</u>	<u>6,038,994</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	\$ 7,050,493	\$ 6,672,047
Estimated Value of Food Received from USDA	559,154	1,299,237
Total Food	<u>7,609,647</u>	<u>7,971,284</u>
Items for Program Use	2,062,396	1,768,397
Professional Volunteer Support	1,920,559	1,961,035
Medical/Dental Supplies and Procedures	2,203,723	1,471,519
Donated Fixed Assets	-	354,000
Total In-Kind Contributions	<u>\$ 13,796,325</u>	<u>\$ 13,526,235</u>

The Council utilizes volunteer services in all areas. The estimated value of volunteer services that require specialized skills and would otherwise need to be purchased are recorded as support and expense in the period provided. Professional services are contributed to the programs by various professionals in the medical, dental, legal, financial, and social work fields. In addition to the professional services, 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>2018</u>	<u>2017</u>
Professional Volunteer Hours	22,631	22,778
Other Volunteer Hours	210,472	242,963

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**NOTE 11 LEASE COMMITMENTS**

The Council enters into various operating leases for equipment and facilities. The Council operated five thrift stores under long-term leases. Facilities rent expense totaled \$569,874 and \$556,433 for the years ended September 30, 2018 and 2017, respectively.

The Council also enters into long-term leases for vehicles and other equipment for use in operations. Equipment and vehicle lease expense was \$154,366 and \$81,062 for the years ended September 30, 2018 and 2017, respectively.

Future minimum payments under all lease commitments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 490,913
2020	318,390
2021	44,184
Total	<u>\$ 853,487</u>

The operating leases expire at various dates through September 30, 2021; it is expected that in the normal course of business, leases that expire will be renewed or replaced with new leases.

**NOTE 12 RESTRICTED ASSETS AND DESIGNATED FUNDS**

Temporarily restricted net assets are restricted by the donor for the following purposes at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Any Council Operations (Time Restricted)	\$ 847,218	\$ 820,000
Unappropriated Endowment Earnings (Time Restricted)	1,849,451	1,786,396
Capital Campaign Pledges (Time and Purpose Restricted)	3,241,545	3,319,090
Capital Campaign Donations (Time and Purpose Restricted)	811,718	7,445,174
Medical/Dental Clinic (Time and Purpose Restricted)	1,444,424	437,440
Retail Operations (Time and Purpose Restricted)	3,500	-
Dining Rooms and Food (Purpose Restricted)	241,474	96,256
Beneficial Interest in Remainder Trust	289,999	292,366
Human Services Campus - Building	1,486,504	1,539,124
Total	<u>\$ 10,215,833</u>	<u>\$ 15,735,846</u>

Net assets of \$11,063,788 and \$4,859,479 were released from restrictions during 2018 and 2017, respectively, by meeting the time and purpose restriction of the gifts.

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

A summary of permanently restricted net assets, which are restricted for investment in perpetuity by the donor, as of September 30, 2018 and 2017 follows:

	2018	2017
Endowments:		
Medical/Dental Clinic Operations	\$ 6,520,586	\$ 6,518,835
Ministries	60,000	35,000
Vincentian Conferences	854,148	632,868
General	2,745,359	91,800
Dining Room	250,500	250,500
Scholarship Fund	94,020	94,020
Donor Endowments	10,524,613	7,623,023
Beneficial Interest in Assets Held in Trust:		
Providing Food and Shelter to the Needy	7,751,476	7,739,451
Any Council Operations	1,525,543	1,488,713
Dining Room Operations	177,061	177,504
Total Beneficial Interest in Assets Held in Trust:	9,454,080	9,405,668
Other:		
Human Services Campus (Land)	1,171,244	1,171,244
Total	\$ 21,149,937	\$ 18,199,935

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.

**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

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

**Interpretation of Relevant Law (Continued)**

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, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted				
Endowment Fund	\$ -	\$ 1,849,452	\$ 10,524,613	\$ 12,374,065
Board-Designated Endowment	935,915	-	-	935,915
Total	<u>\$ 935,915</u>	<u>\$ 1,849,452</u>	<u>\$ 10,524,613</u>	<u>\$ 13,309,980</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 888,528	\$ 1,786,396	\$ 7,623,023	\$ 10,297,947
Investment Return:				
Investment Income	28,311	335,349	-	363,660
Net Appreciation	19,076	225,959	-	245,035
Total Investment Return	<u>47,387</u>	<u>561,308</u>	<u>-</u>	<u>608,695</u>
Contributions	-	-	2,901,590	2,901,590
Board-Designated Contribution	-	-	-	-
Appropriation of Assets for Expenditure	<u>-</u>	<u>(498,252)</u>	<u>-</u>	<u>(498,252)</u>
Endowment Net Assets - End of Year	<u>\$ 935,915</u>	<u>\$ 1,849,452</u>	<u>\$ 10,524,613</u>	<u>\$ 13,309,980</u>

Endowment net asset composition by type of fund as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted				
Endowment Fund	\$ -	\$ 1,786,396	\$ 7,623,023	\$ 9,409,419
Board-Designated Endowment	888,528	-	-	888,528
Total	<u>\$ 888,528</u>	<u>\$ 1,786,396</u>	<u>\$ 7,623,023</u>	<u>\$ 10,297,947</u>

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

Changes in endowment net assets for the year ended September 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ 637,924	\$ 729,819	\$ 7,285,142	\$ 8,652,885
Investment Return:				
Investment Income	28,170	291,004	-	319,174
Net Appreciation	122,434	1,264,793	-	1,387,227
Total Investment Return	<u>150,604</u>	<u>1,555,797</u>	<u>-</u>	<u>1,706,401</u>
Contributions	-	-	337,881	337,881
Board-Designated Contribution	100,000	-	-	100,000
Appropriation of Assets for Expenditure	<u>-</u>	<u>(499,220)</u>	<u>-</u>	<u>(499,220)</u>
Endowment Net Assets - End of Year	<u>\$ 888,528</u>	<u>\$ 1,786,396</u>	<u>\$ 7,623,023</u>	<u>\$ 10,297,947</u>

**Return Objectives and Risk Parameters**

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

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Council to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of September 30, 2018 and 2017.

**Spending Policy**

The board of directors has adopted a policy of annually appropriating for expenditures 5% of the Endowment Funds portfolio balance. The appropriation rate is applied to the one to three year average of the investment portfolio balance, depending on the specific endowment fund and for funds that are not subject to other contractual spending policies in accordance with the Management of Charitable Funds Act of Arizona.

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**NOTE 13 EMPLOYEE BENEFIT PLAN**

The Council sponsors a defined contribution plan (the Plan) under Section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees who have completed 90 days of service. Under the Plan, employees may contribute up to 25% of their earnings on a pre-tax basis, not to exceed certain federal limitations. The Council will match 50% of the employee's contributions up to 10% of the employee's annual earnings. The Council also makes supplemental contributions of 2% of annual salary under the Plan for employees with one year or more of service as of December 31<sup>st</sup> each year. The Council may also make additional supplemental contributions from time to time as approved by the Board of Directors. Participants are vested in their contributions and become fully vested in the Council's contributions immediately. The Council's contribution was \$415,871 and \$317,761 during the years ended September 30, 2018 and 2017, respectively.

**NOTE 14 CONCENTRATION OF RISK**

**Cash and Cash Equivalents**

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

**Donation of Goods**

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

**NOTE 15 RELATED PARTY TRANSACTIONS**

Accounts receivable of \$92,731 and \$116,693 as of September 30, 2018 and 2017, 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 10% of their qualifying revenues to the Council.

Accounts payable of \$8,466 and \$64,350 as of September 30, 2018 and 2017, respectively, were due to the Society of St. Vincent de Paul National Office related to donations collected on behalf of the National Office.



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**NOTE 16 GOVERNMENT GRANTS**

The Council participates in federal and state-assisted grant and contract programs which are subject to financial and compliance audits. The Council's management believes it to be in compliance with applicable grant or contract requirements. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although Council management expects such amounts, if any, to be immaterial.

**NOTE 17 CAPITAL COMMITMENTS**

During the year ended September 30, 2018, the Council entered into a construction contract with an unrelated party in the amount of \$1,891,890 for the renovation of the medical and dental clinics. At September 30, 2018, \$1,133,360 of the contract commitment had not been incurred. Costs of \$758,530 under the contract commitment are included in construction in progress at September 30, 2018.

**NOTE 18 SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 6, 2019, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2018, but prior to March 6, 2019, that provided additional evidence about conditions that existed at September 30, 2018, have been recognized in the financial statements for the year ended September 30, 2018. Events or transactions that provided evidence about conditions that did not exist at September 30, 2018, 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, 2018.

**NOTE 19 NEW AUTHORITATIVE ACCOUNTING LITERATURE**

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Council to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Council for the year ending September 30, 2020; however, early application is permitted.

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**NOTE 19 NEW AUTHORITATIVE ACCOUNTING LITERATURE (CONTINUED)**

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

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Council for the fiscal year ending September 30, 2019.

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

