



**NATIONAL COUNCIL OF THE UNITED
STATES SOCIETY OF ST. VINCENT
DE PAUL, INC. AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL REPORT
(Audited)

Year Ended September 30, 2017

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
FINANCIAL REPORT

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITOR'S REPORT

January 26, 2018

The National Council Board of Directors
**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of the **NATIONAL COUNCIL OF THE UNITED STATES SOCIETY OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES** (collectively, the Society), which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated statement of activities and cash flows for the year 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 consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, in-

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cluding assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the consolidated 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 Society'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of September 30, 2017, and the change in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018 on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

Hochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30

| | 2017 |
|--|--------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 1,673,309 |
| Investments | 5,114,847 |
| Accounts receivable, net of allowance for doubtful accounts | 341,816 |
| Contract receivable | 254,547 |
| Interest receivable | 6,695 |
| Inventories | 256,684 |
| Prepaid expenses | 210,462 |
| Deposits | 475 |
| Total Current Assets | 7,858,835 |
| Property and Equipment, net of accumulated depreciation | 747,788 |
| Intangible Assets, net of accumulated amortization | 3,713 |
| Other Assets | |
| Bequest and trust receivable | 21,206 |
| Assets held under split-interest agreements | 80,075 |
| Total Other Assets | 101,281 |
| Total Assets | \$ 8,711,617 |
| LIABILITIES AND NET ASSETS | |
| Current Liabilities | |
| Accounts payable | \$ 572,181 |
| Accrued salaries and payroll taxes | 25,274 |
| Escrow-special funds | 954,485 |
| Deferred revenue | 292,349 |
| Total Current Liabilities | 1,844,289 |
| Other Liabilities | |
| Liabilities under split-interest agreements | 66,818 |
| Net Assets | |
| Unrestricted | |
| Board designated: | |
| Program funds | 951,998 |
| Operating reserve fund | 982,383 |
| Undesignated | 1,177,298 |
| Temporarily restricted | 3,688,831 |
| Total Net Assets | 6,800,510 |
| Total Liabilities And Net Assets | \$ 8,711,617 |

See notes to financial statements

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30

| | 2017 | | |
|--|---------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total |
| REVENUES | | | |
| Contributions | \$ 2,934,702 | 3,936,162 | 6,870,864 |
| Council solidarity | 1,611,757 | - | 1,611,757 |
| Grants and contracts | 976,555 | 1,027,558 | 2,004,113 |
| Publication and other sales | 156,209 | - | 156,209 |
| Interest and dividends | 89,935 | 14,909 | 104,844 |
| Net gain on investments | 119,666 | 38,378 | 158,044 |
| Insurance premiums | 90,780 | - | 90,780 |
| Regions and other | - | 74,695 | 74,695 |
| Meeting income | 301,525 | - | 301,525 |
| Net assets released from restrictions | 4,034,446 | (4,034,446) | - |
| Total Revenues | <u>10,315,575</u> | <u>1,057,256</u> | <u>11,372,831</u> |
| EXPENSES AND LOSSES | | | |
| Program services: | | | |
| Disaster | 3,194,786 | - | 3,194,786 |
| Council and conference assistance | 4,169,164 | - | 4,169,164 |
| Supporting services: | | | |
| Management and general | 697,199 | - | 697,199 |
| Fundraising | 923,041 | - | 923,041 |
| Total Expenses | <u>8,984,190</u> | <u>-</u> | <u>8,984,190</u> |
| Change in value of split-interest agreements | 1,539 | - | 1,539 |
| Impairment loss on equipment | 61,028 | - | 61,028 |
| Total Losses | <u>62,567</u> | <u>-</u> | <u>62,567</u> |
| Total Expenses And Losses | <u>9,046,757</u> | <u>-</u> | <u>9,046,757</u> |
| CHANGE IN NET ASSETS | 1,268,818 | 1,057,256 | 2,326,074 |
| NET ASSETS, OCTOBER 1, AS RESTATED | <u>1,842,861</u> | <u>2,631,575</u> | <u>4,474,436</u> |
| NET ASSETS, SEPTEMBER 30 | <u>\$ 3,111,679</u> | <u>3,688,831</u> | <u>6,800,510</u> |

See notes to financial statements

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30

| | 2017 |
|--|---------------------|
| INCREASE IN CASH AND CASH EQUIVALENTS | |
| Cash flows from operating activities: | |
| Cash received from contributors, councils, and others | \$ 10,342,253 |
| Interest and dividends received | 2,069 |
| Cash received from publication and inventory sales | 156,209 |
| Cash paid for member services and administrative expenses | (7,907,723) |
| Net Cash Provided By Operating Activities | 2,592,808 |
| Cash flows from investing activities: | |
| Investments purchased | (3,211,713) |
| Investments redeemed | 1,775,728 |
| Purchase of property and equipment | (174,414) |
| Net Cash Used In Investing Activities | (1,610,399) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 982,409 |
| CASH AND CASH EQUIVALENTS, OCTOBER 1 | 690,900 |
| CASH AND CASH EQUIVALENTS, SEPTEMBER 30 | \$ 1,673,309 |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Change in net assets | \$ 2,326,074 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 45,747 |
| Net gain on investments | (158,044) |
| Impairment loss - equipment | 61,028 |
| Reinvestment of investment income | (103,676) |
| Donation of securities | (11,267) |
| Contributions recognized from split-interest agreements | (5,809) |
| Contribution of bequest | (21,206) |
| Change in value of split-interest agreements | 1,539 |
| (Increase) decrease in: | |
| Accounts receivable | 13,239 |
| Contract receivable | (3,445) |
| Interest receivable | 901 |
| Inventories | (60,703) |
| Prepaid expenses | (52,285) |
| Deposits | (475) |
| Increase in: | |
| Accounts payable | 141,010 |
| Accrued salaries and payroll taxes | 9,689 |
| Escrow - special funds | 314,660 |
| Deferred revenue | 95,831 |
| Total Adjustments | 266,734 |
| Net Cash Provided By Operating Activities | \$ 2,592,808 |
| Supplemental disclosure of cash flow information: | |
| Noncash investing activities: | |
| Acquisition of property and equipment through accounts payable | \$ 14,554 |

See notes to financial statements

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Society of St. Vincent de Paul is an international Catholic organization of lay persons, founded in 1833 by Frederic Ozanam and his companions. The National Council of The United States Society of St. Vincent de Paul, Inc., a nonprofit organization, incorporated in 1946, receives support from various areas across the United States of America with the purpose of providing services and relief to the needy around the world, particularly those involved in people-centered emergencies or disasters. It's wholly owned subsidiary, St. Vincent de Paul National Administration Services, Inc., receives monies from various councils across the United States and remits payments for insurance coverage.

In August 2017, Disaster Services Corporation (DSC), a wholly owned subsidiary was formed. DSC is a nonprofit corporation, whose purposes is to organize, oversee, and implement the National Council of the United States Society of St. Vincent de Paul Inc.'s disaster response to national and regional manmade and natural disasters. DSC provides a wide range of disaster recovery related services including disaster preparation and recovery training, disaster relief and recovery assistance, capacity building, training, education, and administration of disaster programs. Sometimes DSC collaborates with other disaster relief and recovery agencies, organizations, and businesses to provide the optimum post-first responder long-term recovery assistance to those in need.

The consolidated financial statements include accounts of the National Council of The United States Society of St. Vincent de Paul, Inc., St. Vincent de Paul National Administration Services, Inc., and DSC (collectively "the Society").

1. Basis of Presentation

Financial statement presentation follows the Financial Accounting Standards Board (FASB) standards for not-for-profit organizations. Under these standards, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently the Society has no permanently restricted net assets. The accompanying consolidated financial statements are presented on the accrual basis of accounting.

Regions are a division of the Society and their assets, liabilities, net assets, revenues, and expenses are included in these consolidated financial statements. The management of these Regions provides the Society the accounting for their transactions. Councils and conferences are not included in these consolidated financial statements.

Programs and Services

The Society provides a wide range of human services to people in need in the form of disaster relief, conference assistance, and assistance for the poor. The Society offers tangible assistance to those in need on a person-to-person basis. This aid may take the form of intervention, consultation, or often through direct dollar or in-kind service. An essen-

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Basis of Presentation (Continued)

tial precept of the Society's work is to provide help while conscientiously maintaining the confidentiality and dignity of those who are served. The Society recognizes that it must assume a role of advocacy for those who are defenseless or voiceless.

Program services are provided in the following principal areas:

Disaster Relief -- The Society provides assistance including food and support to other Society entities for victims in times of natural disaster.

Council and Conference Assistance -- The Society provides assistance for use by other Society entities to provide direct assistance to the poor.

2. Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Revenue Recognition (Continued)

The activities of the Society are reported in two groups as follows:

Unrestricted includes resources available for the support of operations, purchase of property and equipment, and other activities at the discretion of the Society.

Temporarily Restricted includes amounts designated by donors for specific purposes.

3. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories consist of printed materials and supplies.

4. Income Taxes

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Society follows FASB accounting standards for uncertainty in income taxes. These standards require that uncertain income tax positions be “more likely than not” before the amounts are recognized in the consolidated financial statements. Further, the standards require the benefit or expense be recorded in the consolidated financial statements as the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions. The Society has assessed its federal and state tax positions and determined there were no uncertainties or possible related effects that need to be recorded as of and for the year ended September 30, 2017.

Open Years -- The federal and state income tax returns of the Society are subject to examination by the respective taxing authorities generally for three years after they were filed.

Income Tax Penalties and Interest Policy -- Penalties and interest assessed by income taxing authorities are included in operating expenses. The Society did not incur income tax penalties or interest for the year ended September 30, 2017.

5. Donated Materials and Services

Volunteers contribute significant amounts of time to the Organization’s program services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Donated professional services, materials, and equipment are recorded

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Donated Materials and Services (Continued)

as contributions at their fair value at date of receipt. Donated professional services amounted to \$31,900 for the year ended September 30, 2017. Donated equipment amounted to \$3,689.

6. Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on collection expectations. Allowance for uncollectible receivables for council support in the unrestricted fund amounted to \$49,675 for the year ended September 30, 2017.

7. Assets Held and Liabilities Under Split - Interest Agreements

Under charitable gift annuity contracts, the Organization receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

The Society has various gift annuities that are funded through third party annuity contracts with an insurance company. The amount of net present value of the guaranteed payments to beneficiary under these reinsured gift annuity contracts is based upon life expectancies and discount rates. At September 30, 2017 the value of the offsetting asset and payable amounted to approximately \$214,534.

8. Bequests and Trusts

The Organization is the beneficiary under various wills and trust agreements. Such amounts are recognized when a will is declared valid by a probate court or a trust becomes irrevocable under the provisions of the agreement and recorded when the proceeds are measurable. Bequests and trusts receivable that are expected to be collected within one year are recorded at net realizable value and bequests and trusts receivable that are expected to be collected in one or more years at the present value of estimated future cash flows.

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Bequests and Trusts (Continued)

Bequests and trusts receivable are recorded at fair value at the date an unconditional promise to give is received. Amounts that are expected to be collected within one year are recorded at their net realizable value. Amounts that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using a discount rate that approximates the difference between the present and future value of the cash receipts.

9. Deferred Revenue

The balance in this account consists of amounts collected during each year from grants to be recognized in the following year as related expenditures are incurred.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the consolidated financial statements. Accordingly, actual results could differ from those estimates.

11. Compensated Absences

Earned vacation time is required to be used within one year of accrual. Upon termination, accumulated vacation will be paid to the employee. Sick leave is not paid upon termination, but will be paid only upon illness while in the employment of the Society.

12. Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Society considers all highly liquid debt instruments purchased with a maturity of three months or less, except money market funds, to be cash equivalents.

13. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The consolidated schedule of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Intangible Assets

Intangible assets, comprised of a website and logo, are recorded at cost. Amortization is calculated using the straight-line over the estimated useful life of the assets which was estimated at 7 years for the logo and 5 years for the website.

NOTE B - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Society invests cash in excess of operating requirements in income producing investments. Investments are reported at fair value. The following is a summary of investments and other financial instruments:

| | September 30, 2017 | | |
|--|---------------------|------------------|--|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Money market | \$ 47,835 | 47,835 | - |
| Repurchase agreement | 1,201,538 | 1,201,538 | - |
| Mutual funds: | | | |
| Debt | 1,104,421 | 1,104,214 | (207) |
| Mid cap | 1,143,695 | 1,299,019 | 155,324 |
| International | 1,076,362 | 1,183,210 | 106,848 |
| Real estate | 90,417 | 92,638 | 2,221 |
| Fixed income | 1,355,291 | 1,387,931 | 32,640 |
| Assets held under split-interest agreements: | | | |
| Money market | 3,187 | 3,187 | - |
| Equities | 7,643 | 9,698 | 2,055 |
| Mutual funds: | | | |
| Debt | 4,750 | 4,760 | 10 |
| International | 56,202 | 62,430 | 6,228 |
| Total | <u>\$ 6,091,341</u> | <u>6,396,460</u> | <u>305,119</u> |

We report certain assets and liabilities at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the as-

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs.

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies, or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table summarizes investments and other financial instruments that were accounted for at fair value within the fair value hierarchy:

| | September 30, 2017 | | | Total |
|--|---------------------|------------------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| Money market | \$ 47,835 | - | - | 47,835 |
| Repurchase agreement | 1,201,538 | - | - | 1,201,538 |
| Mutual funds: | | | | |
| Debt | 1,104,214 | - | - | 1,104,214 |
| Mid cap | 1,299,019 | - | - | 1,299,019 |
| International | 1,183,210 | - | - | 1,183,210 |
| Real estate | 92,638 | - | - | 92,638 |
| Fixed income | - | 1,387,931 | - | 1,387,931 |
| Assets held under split-interest agreements: | | | | |
| Money market | 3,187 | - | - | 3,187 |
| Equities | 9,698 | - | - | 9,698 |
| Mutual funds: | | | | |
| Debt | 4,760 | - | - | 4,760 |
| International | 62,430 | - | - | 62,430 |
| Total | <u>\$ 5,008,529</u> | <u>1,387,931</u> | <u>-</u> | <u>6,396,460</u> |

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. According to the Society's purchasing policy, purchases are classified as capital in nature if they have a useful life of greater than one year and cost greater than \$3,000. Depreciation is computed on the straight-line method using asset lives as follows:

| Assets | Years |
|--------------------------------|--------------|
| Building and improvements | 40 |
| Office furniture and equipment | 3 - 15 |

The following is a summary by fund type of major classes of property and equipment:

| | September 30, 2017 | | |
|---------------------------------|--|---|------------------|
| | Unrestricted General Fund | Unrestricted Building Fund | Total |
| Building and improvements | \$ - | 671,738 | 671,738 |
| Office furniture and equipment | 53,697 | - | 53,697 |
| Work in progress | 381,279 | - | 381,279 |
| | 434,976 | 671,738 | 1,106,714 |
| Less - Accumulated depreciation | 31,804 | 327,122 | 358,926 |
| Total | \$ 403,172 | 344,616 | 747,788 |

Depreciation expense for the year ended September 30, 2017 totaled \$28,420 and \$17,327 for the unrestricted General Fund and the unrestricted Building Fund, respectively.

The Society evaluates its property and equipment for indicators of possible impairment by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by such assets when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value or discounted estimates of future cash flows.

The Society recognized an impairment loss in the amount of \$61,028 for the year ended September 30, 2017 on a mobile kitchen.

NOTE D - RELATED PARTIES

The Society receives support from the Society's councils located within the United States noted as council solidarity. Each council is charged a fee per year based on the councils' revenue. This support

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - RELATED PARTIES (Continued)

is used for the general administration of the Society. Additionally, the other amounts received from and paid to councils for other support amounted to \$963,862 and \$1,489,908, respectively, for the year ended September 30, 2017. At September 30, 2017, amounts payable to the local councils was \$76,866.

The Society supports the International Council General, Society of St. Vincent de Paul, Inc. located in Paris, France. The amount remitted was \$270,000 for the year ended September 30, 2017.

The National Council Society of St. Vincent de Paul Foundation (the "Foundation"), formed on June 9, 2017, is a nonprofit corporation wholly owned by the Society. Donations made to the Foundation will solely support the charitable mission of the Society. There was no activity in the Foundation for the year ended September 30, 2017.

NOTE E - PENSION PLANS

The Society currently funds two pension plans:

1. **Deferred Contribution Simplified Employee Pension Plan** -- This plan allows discretionary employer contributions for certain national office employees. Currently the Society contributes 8% of eligible employees' compensation. Employees are considered 100% vested upon eligibility. Contributions for the year ended September 30, 2017 totaled \$103,891.
2. **Tax - Deferred Annuity Plan (TDA)** -- This plan allows employees to defer compensation as provided in Section 403(b) of the Internal Revenue Code. This plan is voluntary and contributions are made based upon a percentage of compensation elected by the employee.

NOTE F - LINE OF CREDIT

The Society has a \$250,000 line of credit with a bank, which expires August 2018. The line of credit has interest payable at 3.25% over the one-month LIBOR rate and is secured by certain investments. The outstanding balance due amounted to \$0 for the year ended September 30, 2017.

NOTE G - OPERATING LEASES

The Society is obligated under various non-cancelable operating leases for office equipment. The annual minimum lease payments under non-cancelable operating leases are as follows:

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - OPERATING LEASES (Continued)

| For The Years Ending September 30 | |
|--|------------------|
| 2018 | \$ 31,968 |
| 2019 | 10,451 |
| 2020 | 3,070 |
| 2021 | 2,399 |
| 2022 | <u>1,800</u> |
| Total | <u>\$ 49,688</u> |

Rent expense for the year ended September 30, 2017 was \$70,292.

NOTE H - INSURANCE

The Society is a member of an insurance pool trust, which provides coverage to its participating members. Should actual insurance losses exceed the insurance pool's estimates, the Society could be required to contribute additional funds.

NOTE I - CONCENTRATION OF CREDIT RISK

The Society's bank account balances were insured by the U.S. Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 at each financial institution. At September 30, 2017, the amount in excess of the FDIC limit was \$14,800.

NOTE J - CONTRACT RECEIVABLE

The Society has been awarded a contract to provide disaster relief services. This contract is considered to be an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The contract receivable consists of \$254,547 as of September 30, 2017, from the State of Louisiana.

The Society considers the contract receivable to be fully collectible in the coming year and, therefore, has not recorded an allowance for bad debts.

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K - BOARD DESIGNATED NET ASSETS

As of September 30, 2017, the Board of Directors has designated a portion of unrestricted net assets as a general endowment to support the operations of the Society. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported with unrestricted net assets.

Composition of and changes in endowment net assets were as follows:

| | September 30 2017 |
|--|------------------------------|
| Board-designated endowment net assets, beginning of year | \$ 180,041 |
| Contributions | 654,416 |
| Investment income | 10,071 |
| Net appreciation | 29,298 |
| Amounts appropriated for expenditure | (462) |
| | 873,364 |
| Board-designated Endowment Net Assets, End Of Year | \$ 873,364 |

The Society has designated from net assets, without donor restrictions, \$951,998 for the following purpose:

| | September 30 2017 |
|----------------------------------|------------------------------|
| Special Purpose Fund | \$ 3,376 |
| Domestic Extension/Twinning Fund | 17,771 |
| Ozanam Cause Fund | 27,785 |
| Direct Mail Revenue Fund | 29,702 |
| Bequests Fund | 873,364 |
| | 951,998 |
| Board-designated Net Assets | \$ 951,998 |

The Board of Directors approved a policy to maintain an operating reserve fund to address the Society's financial needs when economic downturns or other unexpected circumstances impact St. Vincent de Paul. The designated purpose of the operating reserve fund is to address cash flow needs of the Society. The appropriations from the fund are authorized by the Board of Directors' resolutions.

The target amount to be attained and maintained for the Operating Reserve Fund in a fiscal year shall be equal to 50% of current year annual operating expenses. The Operating Reserve Fund for the fiscal year ended September 30, 2017 was \$982,383.

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets, which are restricted to specific program services, during the years ended September 30, 2017 are detailed as follows:

| | September 30 2016 | Funds Received | Funds Released From Restriction | September 30 2017 |
|--|------------------------------|---------------------------|--|------------------------------|
| Building Fund | \$ 436,780 | 53,285 | (60,923) | 429,142 |
| Dallas Pharmacy Fund | 123,000 | - | (5,000) | 118,000 |
| Disaster Fund | 1,004,111 | 632,683 | (627,189) | 1,009,605 |
| Disaster Services Division Fund | 131,461 | 1,237,280 | (1,368,741) | - |
| EWTN Fund | 2,500 | - | (2,500) | - |
| Friends of the Poor Fund | 209,185 | 771,105 | (254,513) | 725,777 |
| Friends of the Poor Walk Fund | 405,631 | 438,865 | (450,389) | 394,107 |
| Haiti Scholarship Fund | 144,037 | 176,021 | (72,987) | 247,071 |
| HOPE Fund | 51,740 | 11,742 | (63,482) | - |
| International Disaster Appeal Fund | 32,475 | 447,953 | (447,945) | 32,483 |
| International Twin Projects Fund | 26,523 | - | - | 26,523 |
| Scholarship Fund | 4,150 | - | (500) | 3,650 |
| Time Period Restriction | - | 20,000 | - | 20,000 |
| Twinning Fund | 42,826 | 337,071 | (335,609) | 44,288 |
| Vincentian Family Gathering Fund | 2,234 | - | (766) | 1,468 |
| Youth and Young Adults Fund | 14,922 | - | - | 14,922 |
| Recent hurricanes | - | 808,672 | (289,991) | 518,681 |
| House in Box Projects | - | 86,552 | (50,674) | 35,878 |
| Other disasters | - | 12,877 | (3,237) | 9,640 |
| Hope Program | - | 57,596 | - | 57,596 |
| | <u>\$ 2,631,575</u> | <u>5,091,702</u> | <u>(4,034,446)</u> | <u>3,688,831</u> |
| Total Temporarily Re- stricted Net Assets | <u>\$ 2,631,575</u> | <u>5,091,702</u> | <u>(4,034,446)</u> | <u>3,688,831</u> |

NOTE M - RESTATEMENT OF NET ASSETS

The previously stated net assets have been restated as follows:

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M - RESTATEMENT OF NET ASSETS (Continued)

| | 2017 | | Total Net Assets |
|--|----------------------------|---------------------------|-------------------------|
| | Unrestricted | Temporarily Restricted | |
| Net assets, beginning of year, as previously reported | \$ 1,827,861 | 3,286,400 | 5,114,261 |
| Adjustment for reclassification of escrows | - | (639,825) | (639,825) |
| Adjustment for reclassification of unrestricted fund balances | <u>15,000</u> | <u>(15,000)</u> | - |
| Net Assets, Beginning Of Year, As Restated | <u><u>\$ 1,842,861</u></u> | <u><u>2,631,575</u></u> | <u><u>4,474,436</u></u> |

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2018, the date through which the consolidated financial statements were available for issue.

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION SECTION

**NATIONAL COUNCIL OF THE UNITED STATES SOCIETY
OF ST. VINCENT DE PAUL, INC. AND SUBSIDIARIES**
SUPPLEMENTAL INFORMATION - CONSOLIDATED
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Program Services | | | Supporting Services | | | Total |
|---|-------------------------|---|----------------------|---------------------------|--------------------|----------------------|----------------------|
| | Disaster | Council And Conference Assistance | Total Program | Management And General | Fundraising | Total Support | |
| Personnel costs: | | | | | | | |
| Salaries and payroll taxes | \$ 189,293 | 761,784 | 951,077 | 425,423 | 257,944 | 683,367 | 1,634,444 |
| Pension | 5,944 | 52,346 | 58,290 | 28,385 | 17,216 | 45,601 | 103,891 |
| Staff insurance | 19,205 | 130,028 | 149,233 | 70,495 | 42,713 | 113,208 | 262,441 |
| Staff training | 146 | 2,776 | 2,922 | 1,487 | 903 | 2,390 | 5,312 |
| Total Personnel Costs | <u>214,588</u> | <u>946,934</u> | <u>1,161,522</u> | <u>525,790</u> | <u>318,776</u> | <u>844,566</u> | <u>2,006,088</u> |
| Accounting | 441 | 8,387 | 8,828 | 5,094 | 2,728 | 7,822 | 16,650 |
| Administration | 1,002 | 19,036 | 20,038 | 10,202 | 6,194 | 16,396 | 36,434 |
| Advertising | - | - | - | 996 | 996 | 1,992 | 1,992 |
| Computer maintenance | 1,314 | - | 1,314 | 1,254 | 1,255 | 2,509 | 3,823 |
| Depreciation and amortization | 1,188 | 22,563 | 23,751 | 12,168 | 7,341 | 19,509 | 43,260 |
| Development | - | - | - | - | 560,802 | 560,802 | 560,802 |
| Dues and subscriptions | - | - | - | 496 | - | 496 | 496 |
| Grants and allocations | 2,869,371 | 1,710,684 | 4,580,055 | - | - | - | 4,580,055 |
| Insurance | 758 | 14,033 | 14,791 | 7,520 | 4,566 | 12,086 | 26,877 |
| Insurance premium - NAS | - | - | - | 90,780 | - | 90,780 | 90,780 |
| International Council | - | 270,000 | 270,000 | - | - | - | 270,000 |
| Legal fees | - | 257,394 | 257,394 | - | - | - | 257,394 |
| Materials for resale | - | 92,797 | 92,797 | - | - | - | 92,797 |
| Meals and entertainment | 2,525 | - | 2,525 | 2,004 | 41 | 2,045 | 4,570 |
| Meetings | - | 637,353 | 637,353 | - | - | - | 637,353 |
| Membership services | - | 57,659 | 57,659 | - | - | - | 57,659 |
| Office | 2,283 | 16,860 | 19,143 | 9,508 | 5,556 | 15,064 | 34,207 |
| Other | 6,403 | 8,208 | 14,611 | 5,061 | 2,670 | 7,731 | 22,342 |
| Postage | 2,432 | 1,698 | 4,130 | 956 | 552 | 1,508 | 5,638 |
| Printing | 124 | 2,359 | 2,483 | 1,264 | 767 | 2,031 | 4,514 |
| Professional fees | 14,025 | - | 14,025 | - | - | - | 14,025 |
| Rent | 4,749 | - | 4,749 | 1,120 | 475 | 1,595 | 6,344 |
| Repairs and maintenance | 896 | 10,915 | 11,811 | 5,850 | 3,552 | 9,402 | 21,213 |
| Stores | - | 28,198 | 28,198 | - | - | - | 28,198 |
| Support services | - | 1,087 | 1,087 | - | - | - | 1,087 |
| Telephone | 2,343 | 9,225 | 11,568 | 5,767 | 3,155 | 8,922 | 20,490 |
| Travel | 69,830 | 48,502 | 118,332 | 8,544 | 1,899 | 10,443 | 128,775 |
| Utilities | 514 | 5,272 | 5,786 | 2,825 | 1,716 | 4,541 | 10,327 |
| Total Consolidated Schedule Of Functional Expenses | <u>\$ 3,194,786</u> | <u>4,169,164</u> | <u>7,363,950</u> | <u>697,199</u> | <u>923,041</u> | <u>1,620,240</u> | <u>8,984,190</u> |