

**Society of St. Vincent de Paul,
Archdiocese of Galveston-Houston
and Affiliated Conferences**

Combined Financial Statements
and Independent Auditors' Report
for the years ended September 30, 2018 and 2017

Society of St. Vincent de Paul, Archdiocese of Galveston-Houston and Affiliated Conferences

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Combined Statements of Financial Position as of September 30, 2018 and 2017	3
Combined Statement of Activities for the year ended September 30, 2018	4
Combined Statement of Activities for the year ended September 30, 2017	5
Combined Statement of Functional Expenses for the year ended September 30, 2018	6
Combined Statement of Functional Expenses for the year ended September 30, 2017	7
Combined Statements of Cash Flows for the years ended September 30, 2018 and 2017	8
Notes to Combined Financial Statements for the years ended September 30, 2018 and 2017	9

Independent Auditors' Report

To the Board of Directors of
Society of St. Vincent de Paul, Archdiocese of Galveston-Houston
and Affiliated Conferences:

Report on the Financial Statements

We have audited the accompanying financial statements of Society of St. Vincent de Paul, Archdiocese of Galveston-Houston and Affiliated Conferences (collectively the Society), which comprise the combined statements of financial position as of September 30, 2018 and 2017 and the related combined statements of activities, of functional expenses, and of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits 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.

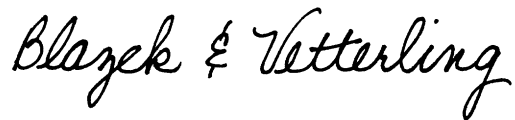
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Society 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.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019 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 solely 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 the effectiveness of the Society's 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.

A handwritten signature in black ink that reads "Blazek & Vetterling". The script is cursive and fluid, with the ampersand being a simple loop.

March 11, 2019

**Society of St. Vincent de Paul, Archdiocese of Galveston-Houston
and Affiliated Conferences**

Combined Statements of Financial Position as of September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash:		
Undesignated	\$ 88,483	\$ 1,235,608
Held for conference use	1,049,722	1,204,581
Temporarily restricted by donors	581,548	464,588
Archdiocesan collections receivable (Note 8)	488,189	487,405
Pledges receivable restricted for disaster relief		100,000
Food and household goods	140,959	
Prepaid expenses and other assets	77,531	93,045
Investments (Note 2)	1,713,355	447,859
Cash – board-designated reserve for capital repairs		150,000
Property, net (Note 3)	<u>2,440,785</u>	<u>2,522,106</u>
TOTAL ASSETS	<u>\$ 6,580,572</u>	<u>\$ 6,705,192</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 127,133	\$ 90,568
Note payable (Note 4)	<u>737,946</u>	<u>803,546</u>
Total liabilities	<u>865,079</u>	<u>894,114</u>
Net assets:		
Unrestricted (Note 5)	5,133,945	5,246,490
Temporarily restricted (Note 6)	<u>581,548</u>	<u>564,588</u>
Total net assets	<u>5,715,493</u>	<u>5,811,078</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,580,572</u>	<u>\$ 6,705,192</u>

See accompanying notes to combined financial statements.

**Society of St. Vincent de Paul, Archdiocese of Galveston-Houston
and Affiliated Conferences**

Combined Statement of Activities for the year ended September 30, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Conference support (<i>Notes 7 and 8</i>)	\$ 8,906,689		\$ 8,906,689
Council support (<i>Notes 7 and 8</i>):			
Foundation grants	75,050	\$ 1,121,195	1,196,245
Corporate contributions	15,927	122,877	138,804
Individual contributions	843,315	95,337	938,652
Church and civic contributions	217,002	366,089	583,091
In-kind contributions (<i>Note 7</i>)	1,701,671		1,701,671
Thrift stores:			
In-kind contributions (<i>Note 7</i>)	675,784		675,784
Sales	765,289		765,289
Cost of sales	(731,288)		(731,288)
Net investment return (<i>Note 2</i>)	67,028		67,028
Other income	<u>8,907</u>		<u>8,907</u>
Total revenue	12,545,374	1,705,498	14,250,872
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,688,538</u>	<u>(1,688,538)</u>	
Total	<u>14,233,912</u>	<u>16,960</u>	<u>14,250,872</u>
EXPENSES:			
Program services:			
Vincentian services	9,281,054		9,281,054
Food network	1,859,994		1,859,994
Disaster services	1,535,347		1,535,347
Voucher ministry	642,202		642,202
Thrift stores	<u>451,563</u>		<u>451,563</u>
Total program services	13,770,160		13,770,160
Management and general	353,999		353,999
Fundraising	<u>222,298</u>		<u>222,298</u>
Total expenses	<u>14,346,457</u>		<u>14,346,457</u>
CHANGES IN NET ASSETS	(112,545)	16,960	(95,585)
Net assets, beginning of year	<u>5,246,490</u>	<u>564,588</u>	<u>5,811,078</u>
Net assets, end of year	<u>\$ 5,133,945</u>	<u>\$ 581,548</u>	<u>\$ 5,715,493</u>

See accompanying notes to combined financial statements.

**Society of St. Vincent de Paul, Archdiocese of Galveston-Houston
and Affiliated Conferences**

Combined Statement of Activities for the year ended September 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Conference support (<i>Notes 7 and 8</i>)	\$ 9,176,674		\$ 9,176,674
Council support (<i>Notes 7 and 8</i>):			
Foundation grants	73,050	\$ 97,356	170,406
Corporate contributions	10,224	75,615	85,839
Individual contributions	1,564,276	291,877	1,856,153
Church and civic contributions	109,530	361,315	470,845
In-kind contributions (<i>Note 7</i>)	1,637,929		1,637,929
Thrift stores:			
In-kind contributions (<i>Note 7</i>)	578,088		578,088
Sales	700,180		700,180
Cost of sales	(658,101)		(658,101)
Net investment return (<i>Note 2</i>)	20,193		20,193
Other income	<u>7,047</u>		<u>7,047</u>
Total revenue	13,219,090	826,163	14,045,253
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>405,888</u>	<u>(405,888)</u>	
Total	<u>13,624,978</u>	<u>420,275</u>	<u>14,045,253</u>
EXPENSES:			
Program services:			
Vincentian services	9,257,079		9,257,079
Food network	1,853,165		1,853,165
Disaster services	97,992		97,992
Voucher ministry	748,925		748,925
Thrift stores	<u>478,299</u>		<u>478,299</u>
Total program services	12,435,460		12,435,460
Management and general	320,872		320,872
Fundraising	<u>236,619</u>		<u>236,619</u>
Total expenses	<u>12,992,951</u>		<u>12,992,951</u>
CHANGES IN NET ASSETS	632,027	420,275	1,052,302
Net assets, beginning of year	<u>4,614,463</u>	<u>144,313</u>	<u>4,758,776</u>
Net assets, end of year	<u>\$ 5,246,490</u>	<u>\$ 564,588</u>	<u>\$ 5,811,078</u>

See accompanying notes to combined financial statements.

**Society of St. Vincent de Paul, Archdiocese of Galveston-Houston
and Affiliated Conferences**

Combined Statement of Functional Expenses for the year ended September 30, 2018

	VINCENTIAN SERVICES	FOOD NETWORK	DISASTER SERVICES	VOUCHER MINISTRY	THRIFT STORES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Conferences:								
In-kind goods provided to clients	\$ 4,419,318							\$ 4,419,318
Those We Serve client assistance	4,224,883							4,224,883
Office operations and supplies	207,179							207,179
Disaster contributions	3,113							3,113
Contributions to other Conferences and Councils	35,750							35,750
Other	<u>55,846</u>							<u>55,846</u>
Total expenses related to the Conferences	8,946,089							8,946,089
Food and other direct assistance		\$ 1,643,433	\$ 1,440,879	\$ 61,309				3,145,621
Salaries and related benefits	243,101	134,276	82,276	318,430	\$ 233,280	\$ 262,102	\$ 168,908	1,442,373
Facility operations	32,581	24,524	5,013	26,257	38,749	9,629	17,421	154,174
Depreciation	2,880	7,414		70,626	26,403	3,227	2,253	112,803
Contract labor	3,330	1,100	3,700	54,505	40,637			103,272
Insurance	6,766	14,109		27,201	27,677	7,206	3,489	86,448
Professional services	875	4,056		1,958	10,713	63,587	2,123	83,312
Facility maintenance	2,620	16,051	2,550	13,234	29,554	2,423	2,423	68,855
Interest				48,152		472		48,624
Vehicles	5,054	4,613	226	9,952	16,780	1,558	5,935	44,118
Utilities	1,080	8,565		8,565	19,342	1,080	1,080	39,712
Marketing and outreach	424	575		575	6,608		13,610	21,792
Dues and subscriptions	18,134	74		74	68		980	19,330
Travel	11,750	627		91	500	815	350	14,133
Other	<u>6,370</u>	<u>577</u>	<u>703</u>	<u>1,273</u>	<u>1,252</u>	<u>1,900</u>	<u>3,726</u>	<u>15,801</u>
Total expenses	<u>\$ 9,281,054</u>	<u>\$ 1,859,994</u>	<u>\$ 1,535,347</u>	<u>\$ 642,202</u>	<u>\$ 451,563</u>	<u>\$ 353,999</u>	<u>\$ 222,298</u>	14,346,457
Cost of thrift store sales								<u>731,288</u>
Total								<u>\$15,077,745</u>

See accompanying notes to combined financial statements.

**Society of St. Vincent de Paul, Archdiocese of Galveston-Houston
and Affiliated Conferences**

Combined Statement of Functional Expenses for the year ended September 30, 2017

	VINCENTIAN SERVICES	FOOD NETWORK	DISASTER SERVICES	VOUCHER MINISTRY	THRIFT STORES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Conferences:								
In-kind goods provided to clients	\$ 4,910,203							\$ 4,910,203
Those We Serve client assistance	3,807,659							3,807,659
Office operations and supplies	153,015							153,015
Disaster contributions	60,185							60,185
Contributions to other Conferences and Councils	38,792							38,792
Other	<u>33,740</u>							<u>33,740</u>
Total expenses related to the Conferences	9,003,594							9,003,594
Food and other direct assistance	5,158	\$ 1,578,231	\$ 92,675	\$ 108,936	\$ 535	\$ 135	\$ 200	1,785,870
Salaries and related benefits	173,099	161,805		386,810	259,166	249,283	171,441	1,401,604
Facility operations	23,927	23,998	3,222	41,209	38,057	9,779	18,130	158,322
Depreciation	2,808	7,258		70,476	25,188	6,049	2,158	113,937
Contract labor		9,676		28,315	20,883			58,874
Insurance	6,389	13,386		24,654	25,814	6,676	3,239	80,158
Professional services		28,014			8,501	40,537	9,640	86,692
Facility maintenance	2,947	14,857		14,328	56,838	5,385	2,975	97,330
Interest				52,036				52,036
Vehicles	6,037	5,677	787	10,841	18,728	1,210	7,259	50,539
Utilities	1,001	8,548		8,548	18,743	1,001	1,001	38,842
Marketing and outreach	2,089	908	150	1,688	4,089		15,134	24,058
Dues and subscriptions	12,969	50	25				2,115	15,159
Travel	4,979		958				683	6,620
Other	<u>12,082</u>	<u>757</u>	<u>175</u>	<u>1,084</u>	<u>1,757</u>	<u>817</u>	<u>2,644</u>	<u>19,316</u>
Total expenses	<u>\$ 9,257,079</u>	<u>\$ 1,853,165</u>	<u>\$ 97,992</u>	<u>\$ 748,925</u>	<u>\$ 478,299</u>	<u>\$ 320,872</u>	<u>\$ 236,619</u>	12,992,951
Cost of thrift store sales								<u>658,101</u>
Total								<u>\$13,651,052</u>

See accompanying notes to combined financial statements.

**Society of St. Vincent de Paul, Archdiocese of Galveston-Houston
and Affiliated Conferences**

Combined Statements of Cash Flows for the years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (95,585)	\$ 1,052,302
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	112,803	113,937
Net realized and unrealized gain on investments	(3,852)	
Changes in operating assets and liabilities:		
Archdiocesan collections receivable	(784)	(33,228)
Pledges receivable restricted for disaster relief	100,000	(100,000)
Food and household goods	(140,959)	
Prepaid expenses and other assets	15,514	(19,620)
Accounts payable and accrued expenses	<u>36,565</u>	<u>(27,514)</u>
Net cash provided by operating activities	<u>23,702</u>	<u>985,877</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(31,482)	(75,738)
Purchase of investments	(1,246,600)	
Change in money market mutual fund	(28,910)	
Distributions from interest in notes held by a foundation	<u>13,866</u>	<u>29,185</u>
Net cash used by investing activities	<u>(1,293,126)</u>	<u>(46,553)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of note payable	<u>(65,600)</u>	<u>(61,982)</u>
NET CHANGE IN CASH	(1,335,024)	877,342
Cash, beginning of year	<u>3,054,777</u>	<u>2,177,435</u>
Cash, end of year	<u>\$ 1,719,753</u>	<u>\$ 3,054,777</u>
<i>Reconciliation of cash balances:</i>		
Cash:		
Undesignated	\$ 88,483	\$ 1,235,608
Held for conference use	1,049,722	1,204,581
Temporarily restricted by donors	581,548	464,588
Cash designated for capital repairs	<u> </u>	<u>150,000</u>
Cash, end of year	<u>\$ 1,719,753</u>	<u>\$ 3,054,777</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$48,152	\$52,036

See accompanying notes to combined financial statements.

Society of St. Vincent de Paul, Archdiocese of Galveston-Houston and Affiliated Conferences

Notes to Combined Financial Statements for the years ended September 30, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Society of St. Vincent de Paul, Archdiocese of Galveston-Houston (the Society) is a grassroots, volunteer-based, direct-aid organization that helps people in need get back on their feet by providing short-term financial, material, and emotional support, and works person-to-person through advocacy, education and referral efforts to break cycles of poverty, empower people and promote self-sufficiency. The Society is a Texas nonprofit corporation that has been serving the Greater Houston area since 1871. The Society is affiliated with the National Council of the United States Society of St. Vincent de Paul. The Society operates in the Catholic Archdiocese of Galveston-Houston (the Archdiocese), is referred to as the Galveston-Houston Archdiocesan Council (The Council) and is composed of approximately 60 parish-based Conferences. Conferences are independent groups of people who put their faith in action by responding to the needs of people in their local community. The Council provides oversight and serves as a resource and support system for the Conferences.

Basis of presentation – These combined financial statements include the assets, liabilities, net assets, and activities of the Society and its affiliated Conferences. Balances and transactions between the Society and the Conferences are eliminated in combination.

Program services – Inspired by gospel values, the Society provides services to support the mission of enhancing the quality of life for all people and helping them work toward living self-sufficient, dignified lives. Assistance may include food, clothing, furniture, rent, utility, transportation, medical, emotional and spiritual support. The ultimate goal is to meet emergency or basic needs, keep families together by preventing homelessness and promoting self-sufficiency through the following programs:

Vincentian services includes the home visit ministry conducted through Conferences. Home visit ministry provides home visits to people in need in order to determine the exact nature and details of help required. This includes direct assistance, emotional, and spiritual support. Through the home visits, the Vincentians identify those issues that are critical to people living in poverty and need, and help bring attention to them so communities and the elected representatives can help develop strategies and tactics that will provide the most effective and efficient means to reduce or eliminate poverty.

Food network serves ten counties in the Galveston-Houston area and is comprised of 25 food pantries and four client-choice pantries run by the Conferences as part of Vincentian services, and one client-choice pantry run by The Council. The pantries promote healthy diets by providing food items, special diet items and household goods, such as paper products, baby items and hygiene necessities.

Disaster services assists in helping individuals and families recover from what can be a devastating and life-altering loss. Although the Society is not a first responder in a disaster, its network of regional Conferences collaborate and often dispatch volunteers to disaster areas once the location has been secured and is safe to enter. The Society assists in the process of getting people back to some sense of normalcy. To this end, the Society works to provide basic needs in terms of food, clothing, and furniture or other home goods that may need to be replaced in the event of a natural disaster. The Society works not only to help direct some amount of temporary relief to those impacted by disaster, it also helps move those so impacted toward self-sufficiency and dignified living.

Voucher ministry and *thrift stores* focus on addressing needs by fostering a dignified family environment. The Society's thrift stores offer low-cost goods to the general public and thrifty shoppers. Every day the stores display vintage, gently used, and occasionally even unused merchandise. There are often sales, special events, and mark-downs that make the merchandise even more accessible. For those individuals and families who lack the resources to purchase items from one of the stores, the Society has a voucher ministry that includes giving vouchers to individuals to redeem for clothing, furniture, and household items at the two resale stores.

Volunteer services – The Society is a volunteer-based organization. A substantial number of volunteers have contributed significant amounts of time in connection with programs and supporting services for which no amount has been recognized in the financial statements because those services do not meet the criteria for recognition under generally accepted accounting principles. However, those services are indispensable to the Society's mission and programs. An estimate of the magnitude of services provided by volunteers is as follows:

	<u>2018</u>	<u>2017</u>
Vincentian services:		
Number of volunteers	1,900	1,900
Number of home visits made	8,400	8,200
Volunteer hours provided	180,000	184,000
Food network, voucher ministry, and thrift stores:		
Volunteer hours provided	21,000	10,500
Unreimbursed mileage provided by volunteers	343,000	319,000

Federal income tax status – The Society is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash – At times, bank deposits exceed the federally insured limit per depositor per institution.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. Pledges receivable at September 30, 2018 are due within one year.

Food and household goods consist primarily of canned goods, produce, and household goods that have been donated for distribution through the food network program.

Investments are reported at fair value.

Property is reported at cost if purchased and at fair value at the date of gift if donated. The Society capitalizes additions and improvements with a cost of more than \$5,000. Depreciation is provided on a straight-line basis over estimated useful lives of 15 to 25 years for building and leasehold improvements, and 5 to 15 years for furniture and equipment, and vehicles.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or future time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Contributions and grants are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

In-kind contributions – Food, clothing, furniture and other goods that are donated for resale or distribution through the Society’s food network, voucher ministry and thrift stores are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is distributed or sold. Such items received by Conferences for immediate re-distribution through the Vincentian home visit ministry are considered agency transactions and are not recognized as either contributions or expense. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The Society is required to adopt this ASU for fiscal year 2019. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at September 30, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual funds:				
Fixed-income	\$ 742,072			\$ 742,072
Equity	508,380			508,380
Money market	28,910			28,910
Interest in notes held by foundation			\$ 433,993	433,993
Total assets measured at fair value	<u>\$ 1,279,362</u>	<u>\$ 0</u>	<u>\$ 433,993</u>	<u>\$ 1,713,355</u>

Assets measured at fair value at September 30, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Interest in notes held by foundation			\$ 447,859	\$ 447,859
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 447,859</u>	<u>\$ 447,859</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held.
- *Interest in notes held by foundation* – During 2010, the Archdiocese transferred properties to an unrelated foundation to be sold for the benefit of the Society. That foundation currently holds two mortgage notes from sales of properties. Principal and interest payments received by the foundation are distributed to the Society as collected. Those notes bear interest at 5.5% and 6.0% and the Society estimates that the face amount of those notes approximate fair value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in the fair value of Level 3 investments for the year ended September 30 consist of the following:

Balance at September 30, 2016	\$ 477,044
Distributions of principal payments	<u>(29,185)</u>
Balance at September 30, 2017	447,859
Financed interest	18,170
Distributions of principal payments	<u>(32,036)</u>
Balance at September 30, 2018	<u>\$ 433,993</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 64,913	\$ 20,193
Net realized and unrealized gain	3,852	
Investment management fees	<u>(1,737)</u>	<u> </u>
Investment return, net	<u>\$ 67,028</u>	<u>\$ 20,193</u>

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 926,790	\$ 926,790
Building and leasehold improvements	2,265,419	2,260,844
Furniture and equipment	248,000	243,855
Vehicles	<u>167,573</u>	<u>194,120</u>
Total property, at cost	3,607,782	3,625,609
Accumulated depreciation	<u>(1,166,997)</u>	<u>(1,103,503)</u>
Property, net	<u>\$ 2,440,785</u>	<u>\$ 2,522,106</u>

NOTE 4 – NOTE PAYABLE

Note payable is a mortgage secured by purchased property which bears interest at 6.22%. Principal and interest are due in monthly installments of \$9,479, with final principal and accrued interest due at maturity on January 15, 2027. The note is guaranteed by a foundation.

Principal repayments of the note are due as follows:

2019	\$ 69,799
2020	74,266
2021	79,020
2022	84,078
2023	89,459
Thereafter through 2027	<u>341,324</u>
Total	<u>\$ 737,946</u>

NOTE 5 – UNRESTRICTED NET ASSETS

Unrestricted net assets include \$150,000 in 2018 and 2017 that the Board of Directors has designated as a reserve for capital repairs.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Disaster relief	\$ 532,402	\$ 493,092
Voucher ministry	19,141	39,147
Food network	14,377	17,097
Other	<u>15,628</u>	<u>15,252</u>
Total temporarily restricted net assets	<u>\$ 581,548</u>	<u>\$ 564,588</u>

NOTE 7 – IN-KIND CONTRIBUTIONS RECOGNIZED

The Society recognized the following in-kind contributions:

	<u>2018</u>	<u>2017</u>
Conference support:		
Food network	\$ 4,127,119	\$ 4,459,097
Clothing vouchers	280,022	286,828
Furniture and other goods	146,825	151,865
Other	6,311	12,413
Council support:		
Food network	1,640,361	1,526,493
Voucher ministry – furniture	32,549	82,653
Voucher ministry – clothing	28,761	28,783
Thrift stores – cost of sales	<u>675,784</u>	<u>578,088</u>
Total in-kind contributions recognized	<u>\$ 6,937,732</u>	<u>\$ 7,126,220</u>

A substantial portion of the Society's in-kind contributions of food are grants from U. S. Department of Agriculture (USDA) received through agreements with local food banks. The value of the food is based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey and the invoiced weight provided by the local food banks. In 2018, the Society recognized \$1,363,821 of in-kind food commodity awards from the USDA based on the receipt of 811,798 pounds of food at \$1.68 per pound. In 2017, the Society recognized \$2,124,380 of in-kind food commodity awards from the USDA based on the receipt of 1,227,966 pounds of food at \$1.73 per pound.

These government grants require fulfillment of certain conditions as set forth in the agreements and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Society with the terms of the agreements. Management believes such disallowances, if any, would not be material to the Society's financial position or changes in net assets.

NOTE 8 – ARCHDIOCESE AND PARISH SUPPORT

The Archdiocese solicits an annual special collection at parishes throughout the Archdiocese for the benefit of the Society. Parishes of the Archdiocese also sponsor special collections for the benefit of their

local Conference at their discretion. The Archdiocese and its parishes act as agents in collecting and distributing these contributions to the Society and the amounts collected but not remitted are reported as Archdiocesan collections receivable. The Archdiocese and its parishes also make voluntary contributions to the Society. The Society recognized contributions of approximately \$4,585,000 in 2018 and \$4,034,000 in 2017 from or collected by the Archdiocese and its parishes. At September 30, 2018 and 2017, \$488,189 and \$487,405, respectively, were due from the Archdiocese related to these collections. The Archdiocese also owns the land on which the Society's administrative offices are located.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 11, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
