

Society of St. Vincent de Paul
Council of Seattle/King County
Financial Statements

September 30, 2016 and 2015

Society of St. Vincent de Paul Council of Seattle/King County

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Independent Auditors' Report

**To Management and the Board of Directors
Society of St. Vincent de Paul Council of Seattle/King County**

Report on the Financial Statements

We have audited the accompanying financial statements of Society of St. Vincent de Paul Council of Seattle/King County (SVDP), a nonprofit organization, which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SVDP as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

VAC, P.S.

January 26, 2017

Society of St. Vincent de Paul Council of Seattle/King County

Statements of Financial Position

September 30, 2016 and 2015

	2016	2015
<i>Assets</i>		
Current assets:		
Cash	\$ 746,208	\$ 578,128
Accounts receivable	181,510	125,066
Pledges receivable, net of discount	96,782	133,408
Inventories	416,732	455,279
Prepaid expenses and other	107,227	110,787
Total current assets	<u>1,548,459</u>	<u>1,402,668</u>
Property and equipment, net	13,914,108	14,237,477
Pledges receivable, net of current portion and discount	-	91,632
Deferred rental income, net	1,466,278	1,355,185
Other assets	129,431	161,492
	<u>\$ 17,058,276</u>	<u>\$ 17,248,454</u>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 49,409	\$ 48,279
Accrued expenses	269,355	252,113
Federal income tax payable	-	2,038
Current portion of long-term debt	290,367	317,859
Total current liabilities	<u>609,131</u>	<u>620,289</u>
Long-term debt, net of current portion	<u>8,295,565</u>	<u>8,585,439</u>
Total liabilities	<u>8,904,696</u>	<u>9,205,728</u>
Net assets:		
Unrestricted:		
Operating	7,763,513	7,595,108
Board designated	-	120,000
Total unrestricted net assets	<u>7,763,513</u>	<u>7,715,108</u>
Temporarily restricted	390,067	327,618
Total net assets	<u>8,153,580</u>	<u>8,042,726</u>
	<u>\$ 17,058,276</u>	<u>\$ 17,248,454</u>

See accompanying notes to the financial statements.

Society of St. Vincent de Paul Council of Seattle/King County

Statements of Activities

Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted support and revenues:		
In-kind contributions	\$ 4,852,407	\$ 6,056,130
Thrift store sales	3,858,818	4,282,448
Lease income	1,033,240	1,022,545
Contributions	776,933	856,362
Grants	436,245	381,591
Recycling	84,592	191,351
Other	52,984	81,454
Net assets released from restrictions	<u>571,578</u>	<u>517,550</u>
	<u>11,666,797</u>	<u>13,389,431</u>
Expenses:		
Program services	10,464,839	12,054,328
Management and general	856,954	1,012,770
Fundraising	<u>310,909</u>	<u>330,095</u>
	<u>11,632,702</u>	<u>13,397,193</u>
Increase (decrease) in unrestricted net assets, before federal income taxes	34,095	(7,762)
Provision (benefit) for federal income taxes	<u>(14,310)</u>	<u>15,000</u>
Increase (decrease) in unrestricted net assets	<u>48,405</u>	<u>(22,762)</u>
Temporarily restricted net assets:		
Contributions and grants	634,027	331,790
Net assets released from restrictions	<u>(571,578)</u>	<u>(517,550)</u>
Increase (decrease) in temporarily restricted net assets	<u>62,449</u>	<u>(185,760)</u>
Increase (decrease) in net assets	110,854	(208,522)
Net assets, beginning of year	<u>8,042,726</u>	<u>8,251,248</u>
Net assets, end of year	<u>\$ 8,153,580</u>	<u>\$ 8,042,726</u>

See accompanying notes to the financial statements.

Society of St. Vincent de Paul Council of Seattle/King County

Statement of Functional Expenses

Year Ended September 30, 2016

	Program Services			Management and General			Fundraising	Total
	Thrift Stores	Charitable Activities	Total	General and Administrative	Property Management	Total		
Cost of merchandise sold	\$ 3,752,343	\$ 6,697	\$ 3,759,040	\$ 14	\$ -	\$ 14	\$ -	\$ 3,759,054
Salaries and wages	1,961,519	729,272	2,690,791	303,953	56,058	360,011	169,881	3,220,683
Direct assistance	20,481	1,937,301	1,957,782	12,183	-	12,183	-	1,969,965
Payroll taxes and benefits	425,716	120,294	546,010	66,846	14,528	81,374	23,969	651,353
Interest and bank fees	475,476	100	475,576	15,403	78,280	93,683	2,304	571,563
Depreciation and amortization	292,961	73,901	366,862	12,920	20,355	33,275	-	400,137
Utilities	162,905	21,267	184,172	13,266	292	13,558	-	197,730
Professional fees	5,645	9,195	14,840	107,518	120	107,638	43,260	165,738
Insurance	58,680	46,561	105,241	13,987	-	13,987	4,761	123,989
Maintenance and repairs	60,304	17,340	77,644	22,804	5,971	28,775	913	107,332
Advertising	18,351	2,955	21,306	31,152	-	31,152	40,541	92,999
Vehicles	70,737	11,974	82,711	3,435	1,059	4,494	1,364	88,569
Supplies	42,610	14,632	57,242	20,117	665	20,782	3,673	81,697
Business taxes, licenses and dues	21,384	21,312	42,696	2,208	458	2,666	3,035	48,397
Postage, printing and mailing	8,820	5,617	14,437	13,030	18	13,048	12,248	39,733
Telephone	8,352	14,415	22,767	12,484	464	12,948	980	36,695
Travel and conferences	2,070	11,935	14,005	13,590	40	13,630	3,385	31,020
Rent and property taxes	20,582	-	20,582	4,929	-	4,929	-	25,511
Professional development	2,685	8,450	11,135	8,807	-	8,807	595	20,537
	<u>\$ 7,411,621</u>	<u>\$ 3,053,218</u>	<u>\$10,464,839</u>	<u>\$ 678,646</u>	<u>\$ 178,308</u>	<u>\$ 856,954</u>	<u>\$ 310,909</u>	<u>\$11,632,702</u>

See accompanying notes to the financial statements.

Society of St. Vincent de Paul Council of Seattle/King County

Statement of Functional Expenses

Year Ended September 30, 2015

	Program Services			Management and General			Fundraising	Total
	Thrift Stores	Charitable Activities	Total	General and Administrative	Property Management	Total		
Cost of merchandise sold	\$ 4,190,700	\$ 8,653	\$ 4,199,353	\$ 856	\$ -	\$ 856	\$ -	\$ 4,200,209
Salaries and wages	2,030,604	779,930	2,810,534	330,364	91,042	421,406	191,341	3,423,281
Direct assistance	5,590	2,748,762	2,754,352	35,152	-	35,152	-	2,789,504
Payroll taxes and benefits	461,540	136,322	597,862	70,803	22,243	93,046	29,088	719,996
Interest and bank fees	474,822	65	474,887	27,827	48,983	76,810	3,241	554,938
Depreciation and amortization	285,612	72,463	358,075	19,689	7,872	27,561	-	385,636
Utilities	175,204	24,658	199,862	6,202	-	6,202	-	206,064
Maintenance and repairs	85,046	20,353	105,399	55,513	8,951	64,464	162	170,025
Professional fees	26,120	13,030	39,150	90,591	1,004	91,595	38,540	169,285
Bond services	63,513	-	63,513	17,201	51,604	68,805	-	132,318
Insurance	50,294	48,946	99,240	12,770	-	12,770	3,668	115,678
Vehicles	75,310	20,477	95,787	8,989	5,628	14,617	1,486	111,890
Supplies	55,768	27,890	83,658	19,531	37	19,568	3,773	106,999
Advertising	21,138	4,760	25,898	25,753	-	25,753	35,608	87,259
Postage, printing and mailing	17,515	8,845	26,360	13,304	70	13,374	14,080	53,814
Business taxes, licenses and dues	24,553	20,422	44,975	1,442	374	1,816	2,819	49,610
Telephone	12,751	15,396	28,147	9,755	662	10,417	1,886	40,450
Travel and conferences	3,156	8,698	11,854	16,975	-	16,975	3,403	32,232
Rent and property taxes	27,228	-	27,228	2,199	-	2,199	-	29,427
Professional development	432	7,762	8,194	9,384	-	9,384	1,000	18,578
	<u>\$ 8,086,896</u>	<u>\$ 3,967,432</u>	<u>\$12,054,328</u>	<u>\$ 774,300</u>	<u>\$ 238,470</u>	<u>\$ 1,012,770</u>	<u>\$ 330,095</u>	<u>\$13,397,193</u>

See accompanying notes to the financial statements.

Society of St. Vincent de Paul Council of Seattle/King County

Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 110,854	\$ (208,522)
Adjustments to reconcile the increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	385,094	385,636
Amortization of bond acquisition costs	-	123,413
Changes in operating assets and liabilities:		
Accounts receivable	(56,444)	(1,608)
Pledges receivable, net of discount	128,258	311,630
Inventories	38,547	60,618
Prepaid expenses and other assets	35,621	19,613
Deferred rental income, net	(111,093)	35,586
Accounts payable	1,130	(29,038)
Accrued expenses	17,242	(9,813)
Federal income tax payable	<u>(2,038)</u>	<u>998</u>
Net cash provided by operating activities	<u>547,171</u>	<u>688,513</u>
Cash flows from investing activity:		
Purchase of property and equipment	<u>(61,725)</u>	<u>(477,660)</u>
Net cash used in investing activity	<u>(61,725)</u>	<u>(477,660)</u>
Cash flows from financing activities:		
Long-term debt borrowings	-	3,377,500
Repayments on long-term debt	<u>(317,366)</u>	<u>(3,310,475)</u>
Net cash provided by (used in) financing activities	<u>(317,366)</u>	<u>67,025</u>
Net increase in cash	168,080	277,878
Cash, beginning of year	<u>578,128</u>	<u>300,250</u>
Cash, end of year	<u>\$ 746,208</u>	<u>\$ 578,128</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 468,952</u>	<u>\$ 442,457</u>
Cash paid (refunded) for federal income tax	<u>\$ (12,272)</u>	<u>\$ 14,000</u>

See accompanying notes to the financial statements.

Society of St. Vincent de Paul Council of Seattle/King County

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

The Society of St. Vincent de Paul Council of Seattle/King County (SVDP) is a nonprofit organization formed in 1921 to provide charitable and social services to the needy and suffering. SVDP maintains and operates retail thrift stores selling donated goods, as well as a food bank serving the needy and homeless, and provides assistance and guidance to 54 parish-based volunteer groups (Conferences) which provide direct one-on-one assistance to the needy in their neighborhoods. All operations take place in Seattle and King County in Washington State. SVDP has thrift stores located in Kenmore, Renton (also referred to as the Rainier property), Kent, Aurora, and Burien. The administrative offices and food bank are located in Georgetown.

SVDP leases certain property to outside parties to supplement operations.

SVDP is managed by a Board of Directors that is comprised primarily of representatives of the 54 Conferences. SVDP provides various means of support to the 54 Conferences including occasional funding and discounted food and thrift store items. The assets, liabilities, net assets, changes in net assets and cash flows of these Conferences are not included in the accompanying financial statements as they operate independently of SVDP with separate officers.

Basis of Presentation

Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, SVDP reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose 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. Donor imposed restrictions that are met within the reporting period are classified as increases in unrestricted net assets.

Cash

SVDP maintains cash in bank accounts which, at times, may exceed federally insured limits. SVDP has not experienced any losses on such accounts.

Employee Advances

SVDP has an internal program to provide financial assistance to employees (excluding SVDP's Officers and Directors) who are experiencing a financial hardship and because of certain Internal Revenue Service regulations cannot access support from individual conferences or SVDP programs. This financial assistance consists of unsecured non-interest bearing payroll advances that are repaid through periodic payroll deductions. Employee advances are expected to be collected within one year from the date of issuance.

Society of St. Vincent de Paul Council of Seattle/King County

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

Pledges Receivable

When a donor unconditionally promises to contribute funds in future periods, SVDP records the present value of the estimated future cash flows as a pledge receivable. The discounts on those amounts are computed using interest rates determined by management, applicable to the years in which the promises are receivable. SVDP considers all pledges receivable at September 30, 2016 and 2015 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Inventories

Inventories are stated at the estimated sales value at the date of donation.

Property and Equipment, Net

SVDP generally capitalizes long-lived assets with a cost (or estimated fair market value if donated) in excess of \$1,000 and an estimated useful life greater than one year. Property and equipment are stated at cost if purchased or estimated fair value if donated. Property and equipment are depreciated using the straight-line method over their estimated useful lives of three to 40 years.

Bond Acquisition Costs, Net

Bond acquisition costs consist of fees incurred in connection with SVDP's Washington State Housing Finance Commission Variable Rate Demand Nonprofit Revenue Bonds, Series 2000A (Series 2000A) credit facility described in Note 6. The bond acquisition costs were amortized over the term of the related credit facility. In December 2014, SVDP fully repaid the Series 2000A bonds and the acquisition costs were written off. Amortization expense for the year ended September 30, 2015 approximated \$123,000. Amortization expense is included in bond services in the accompanying statement of functional expenses for 2015.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for potential impairment at such time when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be recognized when the sum of the expected, undiscounted future net cash flows is less than the carrying amount of the asset. There have been no impairment charges related to the write-down of long-lived assets.

Federal Income Tax

SVDP is a nonprofit organization that is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, SVDP has taxable income from the rental of certain debt-financed property. During 2015, SVDP restructured their debt-financed property as further discussed in Note 6 which reduced SVDP's taxable income. During 2016, SVDP received a federal income tax refund related to this restructuring of debt. The accompanying 2016 statement of activities includes a related federal income tax benefit of \$14,310.

Society of St. Vincent de Paul Council of Seattle/King County

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

Federal Income Tax, continued

Accounting principles generally accepted in the United States of America (GAAP) include guidance that requires the measurement and disclosure of tax benefits arising from uncertain tax positions. As of and for the years ended September 30, 2016 and 2015, this guidance had no material effect on SVDP's financial statements.

Board Designated Net Assets

Board designated net assets consist of amounts set aside by the Board of Directors to assist the 54 Conferences. During 2016, the Board of Directors removed this designation.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of various contributions received to assist Conferences and for various charitable works performed by SVDP in carrying out its mission.

Contributions and Donated Services

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 restrictions. Contributions of food and thrift store merchandise (in-kind contributions) are recorded at their estimated sales value at the time of donation. Substantially all contributed food was donated by two organizations during the years ended September 30, 2016 and 2015.

At times, SVDP receives contributions that are specifically designated for an individual Conference; such donations and related payments are recorded as a pass-through and therefore are excluded from the accompanying statements of activities.

SVDP receives a significant amount of donated services from unpaid volunteers who assist with fundraising and special projects. Approximately 41,000 and 51,000 volunteer hours were contributed during the years ended September 30, 2016 and 2015, respectively. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition under GAAP have not been satisfied.

Thrift Store Sales

SVDP's thrift store sales are recognized at the time of sale, and retail sales exclude sales tax.

Retirement Plan

SVDP provides retirement benefits to eligible employees through a plan (the Plan) established under section 403(b) of the Internal Revenue Code. The Plan includes provisions for employee deferrals only and accordingly no contributions to the Plan were made by SVDP for the years ended September 30, 2016 and 2015.

Society of St. Vincent de Paul Council of Seattle/King County

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

Advertising Costs

Advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through January 26, 2017, the date the financial statements were available to be issued.

2. Employee Advances

At September 30, 2016 and 2015, employee advances totaled \$6,079 and \$27,773, respectively. At September 30, 2016 and 2015 advances expected to be collected within one year and classified in accounts receivable amounted to \$6,079 and \$24,149, respectively. At September 30, 2016 and 2015, advances expected to be collected beyond one year and classified in other assets amounted to \$0 and \$3,624, respectively.

3. Pledges Receivable, Net of Discount

Pledges receivable, net of discount to present value (at a rate of 4.50%), are due at September 30, 2016 as follows:

Year ending September 30, 2017	\$ 105,150
Less discount to net present value	<u>8,368</u>
Net pledges receivable	<u>\$ 96,782</u>

Society of St. Vincent de Paul Council of Seattle/King County

Notes to Financial Statements

4. Inventories

Inventories consist of the following:

	September 30,	
	2016	2015
Donated goods:		
Thrift merchandise	\$ 338,217	\$ 379,780
Food bank	33,239	35,589
Other	9,488	11,673
Purchased goods	35,788	28,237
	<u>\$ 416,732</u>	<u>\$ 455,279</u>

5. Property and Equipment, Net

Property and equipment, net consist of the following:

	September 30,	
	2016	2015
Buildings and improvements	\$ 9,381,140	\$ 9,345,963
Office furniture and equipment	1,150,132	1,132,884
Trucks and other operating equipment	426,760	426,761
	10,958,032	10,905,608
Less accumulated depreciation and amortization	4,651,995	4,266,901
	6,306,037	6,638,707
Land	7,596,195	7,596,195
Construction in progress	11,876	2,575
	<u>\$ 13,914,108</u>	<u>\$ 14,237,477</u>

Society of St. Vincent de Paul Council of Seattle/King County

Notes to Financial Statements

6. Long-Term Debt

Long-term debt consists of the following:

	September 30,	
	2016	2015
Bank Notes, further described on page 14	\$ 2,832,510	\$ 2,952,469
Kent property note payable to bank; monthly principal and interest at 5%; interest reset in April 2019; maturity in March 2024; secured by related property with a carrying value of \$2,604,892 at September 30, 2016; cross collateralized with Bank Notes described on page 14	1,845,888	1,888,682
Aurora property note payable; monthly principal and interest; interest at 6% through maturity in December 2020; secured by related property with a carrying value of \$2,470,201 at September 30, 2016	1,694,151	1,739,283
Rainier property note payable to bank; monthly principal and interest at 5%; interest reset in April 2019; maturity in March 2024; secured by related property with a carrying value of \$1,551,728 at September 30, 2016; cross collateralized with Bank Notes described on page 14	1,137,203	1,163,567
Aurora addition note payable to bank further described on page 14; collateral with a carrying value of \$1,026,423 at September 30, 2016	591,334	604,196
Burien property note payable; monthly principal and interest; interest at 6.3%; interest becomes variable in May 2017 through maturity in April 2022; secured by related property with a carrying value of \$1,141,460 at September 30, 2016	484,846	555,101
	8,585,932	8,903,298
Less current portion	290,367	317,859
	\$ 8,295,565	\$ 8,585,439

Society of St. Vincent de Paul Council of Seattle/King County

Notes to Financial Statements

6. Long-Term Debt, continued

During the year ended September 30, 2015, SVDP borrowed \$3,040,000 from a commercial bank under three notes ("Bank Notes" on page 13) to pay off the Series 2000A bonds. Two of the notes with initial principal totaling \$2,925,000 provide for monthly principal and interest payments at 5% and mature in December 2024. In December 2019, the interest rate will reset to a variable rate through maturity. The third note in the amount of \$115,000 provides for monthly principal and interest at 5% through maturity in December 2016. The Bank Notes are cross collateralized with the Kent and Rainier property notes payable and are secured by the land and building under the Kenmore store and land and building under Georgetown as well as a second security interest in the Aurora property note payable. The total carrying value of this collateral is \$5,400,166 at September 30, 2016.

As noted on page 13, SVDP borrowed \$275,000 in July 2014 under a short-term note agreement with a commercial bank to fund a wing addition at the Aurora property. The note was amended during the year ended September 30, 2015 to increase the principal amount to \$612,500. Terms for the \$612,500 note provide for monthly payments of interest only at 5% through January 2015; thereafter monthly principal and interest payments at 5% through January 2020. In February 2020, the interest rate will reset through maturity in January 2025.

Notes with the commercial bank include financial covenants that require the maintenance of a debt to tangible net worth ratio and a specified debt service coverage ratio. SVDP was in compliance with these ratios at September 30, 2016.

Scheduled maturities of long-term debt are as follows:

Year ending September 30,	Bank Notes	Kent	Aurora	Rainier	Aurora Addition	Burien	Total
2017	\$ 80,818	\$ 45,295	\$ 47,916	\$ 27,906	\$ 13,616	\$ 74,816	\$ 290,367
2018	68,786	47,635	50,871	29,347	14,322	79,669	290,630
2019	72,355	50,107	54,009	30,870	15,065	84,838	307,244
2020	75,740	52,467	57,340	32,324	15,770	90,343	323,984
2021	80,040	55,429	60,877	34,149	16,665	96,204	343,364
Thereafter	2,454,771	1,594,955	1,423,138	982,607	515,896	58,976	7,030,343
	<u>\$ 2,832,510</u>	<u>\$ 1,845,888</u>	<u>\$ 1,694,151</u>	<u>\$ 1,137,203</u>	<u>\$ 591,334</u>	<u>\$ 484,846</u>	<u>\$ 8,585,932</u>

Society of St. Vincent de Paul Council of Seattle/King County

Notes to Financial Statements

7. Lease Income

SVDP leases property to tenants under operating leases expiring at various dates through 2089. The leases include rent escalation or advance payment clauses and one lease includes an option to extend the lease for two additional ten year terms. Total lease income to be received over the terms of these leases has been recognized in the accompanying financial statements on a straight-line basis in accordance with GAAP. The difference between lease income recognized and cash amounts due under these leases has been recorded as deferred rental income, net, in the accompanying statements of financial position. The cost of the leased land and buildings and related accumulated depreciation approximated \$4,032,000 and \$1,031,000 respectively, at September 30, 2016. Minimum lease rentals to be received are as follows:

<u>Year ending September 30,</u>	
2017	\$ 944,646
2018	951,434
2019	957,135
2020	962,949
2021	965,279
Thereafter	<u>56,306,081</u>
	<u>\$ 61,087,524</u>