

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

September 30, 2021 and 2020

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

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Society of St. Vincent de Paul Council of Seattle/King County (the Organization), a nonprofit organization, which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if

there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

VWC, P.S.

August 30, 2023

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

Statements of Financial Position

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<i>Assets</i>		
Current assets:		
Cash	\$ 5,704,952	\$ 4,584,878
Accounts receivable	550,670	299,135
Current portion of pledges receivable, net of discount	105,000	94,878
Inventories	543,586	377,521
Prepaid expenses and other	<u>175,248</u>	<u>199,092</u>
Total current assets	7,079,456	5,555,504
Property and equipment, net	11,537,197	11,832,169
Deferred rental income, net	1,951,835	1,888,904
Long-term pledges receivable, net	-	90,015
Other assets	<u>74,448</u>	<u>72,733</u>
	<u>\$ 20,642,936</u>	<u>\$ 19,439,325</u>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 110,778	\$ 84,844
Accrued expenses	458,605	268,956
Deferred revenue	156,360	-
Current portion of long-term debt	<u>281,094</u>	<u>310,362</u>
Total current liabilities	1,006,837	664,162
Other long-term liabilities	43,705	58,795
Long-term debt, net of current portion	<u>6,796,280</u>	<u>7,075,538</u>
Total liabilities	<u>7,846,822</u>	<u>7,798,495</u>
Net assets:		
Without donor restrictions	12,144,134	10,967,086
Without donor restrictions - Board designated	100,000	-
With donor restrictions	<u>551,980</u>	<u>673,744</u>
Total net assets	<u>12,796,114</u>	<u>11,640,830</u>
	<u>\$ 20,642,936</u>	<u>\$ 19,439,325</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, 2021 and 2020

	<u>Support Without Donor Restrictions</u>	<u>Board Designated Contributions</u>	<u>Total Support Without Donor Restrictions</u>	<u>Support With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Operating activities:						
Conditional contribution grants	\$ 5,301,752	\$ -	\$ 5,301,752	\$ -	\$ 5,301,752	\$ 1,657,359
Contributions	912,405	625,000	1,537,405	857,639	2,395,044	2,925,590
Fundraising revenue	319,855	-	319,855	-	319,855	404,309
Thrift store sales	2,988,949	-	2,988,949	-	2,988,949	2,520,706
In-kind contributions	4,154,366	-	4,154,366	-	4,154,366	3,690,464
Service fee revenue	42,253	-	42,253	-	42,253	221,858
Investment income, net	3,923	-	3,923	-	3,923	9,434
Rent revenue	1,126,722	-	1,126,722	-	1,126,722	1,134,088
Other revenue	4,884	-	4,884	-	4,884	29,464
Total public support	<u>14,855,109</u>	<u>625,000</u>	<u>15,480,109</u>	<u>857,639</u>	<u>16,337,748</u>	<u>12,593,272</u>
Net assets released from restriction	<u>979,403</u>	<u>-</u>	<u>979,403</u>	<u>(979,403)</u>	<u>-</u>	<u>-</u>
Operating expenses:						
Program services	13,701,001	-	13,701,001	-	13,701,001	9,167,859
Management and general	1,264,945	-	1,264,945	-	1,264,945	1,168,931
Fundraising	189,245	-	189,245	-	189,245	391,870
Total operating expenses	<u>15,155,191</u>	<u>-</u>	<u>15,155,191</u>	<u>-</u>	<u>15,155,191</u>	<u>10,728,660</u>
Change in net assets from operating activities	<u>679,321</u>	<u>625,000</u>	<u>1,304,321</u>	<u>(121,764)</u>	<u>1,182,557</u>	<u>1,864,612</u>
Non-operating activities:						
Loss on disposal of assets/impairmen	(27,273)	-	(27,273)	-	(27,273)	(981,271)
Release of board designated funds	525,000	(525,000)	-	-	-	-
Change in net assets from non-operating activities	<u>497,727</u>	<u>(525,000)</u>	<u>(27,273)</u>	<u>-</u>	<u>(27,273)</u>	<u>(981,271)</u>
Total change in net assets	1,177,048	100,000	1,277,048	(121,764)	1,155,284	883,341
Net assets, beginning of year	10,967,086	-	10,967,086	673,744	11,640,830	10,757,489
Net assets, end of year	<u>\$ 12,144,134</u>	<u>\$ 100,000</u>	<u>\$ 12,244,134</u>	<u>\$ 551,980</u>	<u>\$ 12,796,114</u>	<u>\$ 11,640,830</u>

See accompanying notes to the financial statements.

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

Statements of Functional Expenses

Year Ended September 30, 2021

	Program Services								
	Thrift Stores	Food Bank	Centro Rendu	Conferences	Helpline & Case Management	Total	Management and General	Fundraising	Total
Direct assistance	\$ -	\$ 80,933	\$ 184,975	\$ 3,682,445	\$ 596,171	\$ 4,544,524	\$ 4,643	\$ -	\$ 4,549,167
Salaries and wages	1,627,819	148,025	486,113	189,914	478,090	2,929,961	562,428	85,474	3,577,863
Cost of merchandise sold	2,814,717	-	-	-	-	2,814,717	-	-	2,814,717
In-kind direct assistance	-	1,359,194	(6)	4,334	-	1,363,522	-	-	1,363,522
Benefits and taxes	301,663	28,407	56,333	23,991	83,271	493,665	148,951	24,140	666,756
Interest and bank fees	329,552	13,288	-	46	-	342,886	142,117	8,821	493,824
Depreciation and amortization	239,780	19,137	11,630	8,235	13,660	292,442	78,408	863	371,713
Professional services	2,336	256	41,524	56,956	-	101,072	88,702	37,343	227,117
Communications, Technology	20,668	6,818	24,231	34,470	30,560	116,747	92,629	6,580	215,956
Occupancy and utilities	94,382	15,928	17,387	5,185	-	132,882	18,381	-	151,263
Supplies, printing, postage	37,529	33,203	33,245	3,133	1,628	108,738	28,977	5,927	143,642
Maintenance and repairs	40,007	31,007	2,665	37,494	993	112,166	17,614	3,298	133,078
Insurance	55,640	24,824	15,775	9,782	5,748	111,769	5,380	5,136	122,285
Other expense	5,239	474	6,825	24,629	2,786	39,953	45,116	11,638	96,707
Vehicle and transport	65,005	668	4,377	72	423	70,545	4,106	25	74,676
Refuse and dump fees	59,278	11,381	-	-	-	70,659	202	-	70,861
Taxes and fees	54,475	152	118	8	-	54,753	10,345	-	65,098
Bad debt	-	-	-	-	-	-	16,946	-	16,946
	<u>\$ 5,748,090</u>	<u>\$ 1,773,695</u>	<u>\$ 885,192</u>	<u>\$ 4,080,694</u>	<u>\$ 1,213,330</u>	<u>\$ 13,701,001</u>	<u>\$ 1,264,945</u>	<u>\$ 189,245</u>	<u>\$ 15,155,191</u>

See accompanying notes to the financial statements.

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

Statements of Functional Expenses, continued

Year Ended September 30, 2020

	Program Services								
	Thrift Stores	Food Bank	Centro Rendu	Conferences	Helpline & Case Management	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 1,383,388	\$ 132,889	\$ 519,569	\$ 108,039	\$ 437,357	\$ 2,581,242	\$ 507,901	\$ 257,950	\$ 3,347,093
Cost of merchandise sold	2,385,256	-	-	2,090	-	2,387,346	-	-	2,387,346
Direct assistance	10,059	1,579,871	137,250	334,357	170,609	2,232,146	1,532	25,571	2,259,249
Payroll taxes and benefits	379,043	26,891	54,734	17,637	73,082	551,387	94,076	44,945	690,408
Interest and bank fees	419,295	-	-	-	-	419,295	72,036	5,465	496,796
Depreciation and amortization	185,857	2,417	1,450	7,793	2,749	200,266	188,785	777	389,828
Utilities	173,169	34,237	-	-	978	208,384	5,005	-	213,389
Maintenance and repairs	55,295	20,501	1,197	8,247	521	85,761	122,043	4,487	212,291
Supplies	62,841	24,463	10,711	18,095	5,107	121,217	34,817	5,351	161,385
Professional fees	-	1,401	22,420	3,394	-	27,215	95,190	500	122,905
Insurance	50,684	22,613	14,370	4,122	10,025	101,814	4,901	4,679	111,394
Advertising	28,154	929	4,298	929	20,203	54,513	1,572	26,789	82,874
Vehicles	55,530	1,273	6,089	-	2,055	64,947	6,910	367	72,224
Taxes and fees	21,146	200	430	21,170	99	43,045	7,106	975	51,126
Rent and property taxes	35,733	-	-	-	-	35,733	6,880	-	42,613
Telephone	6,972	1,739	4,870	1,344	10,624	25,549	4,890	1,296	31,735
Postage, printing and mailing	916	41	425	5,990	203	7,575	4,061	9,884	21,520
Travel and conferences	1,800	100	6,369	372	620	9,261	7,707	690	17,658
Professional development	648	895	3,500	2,277	2,780	10,100	3,519	444	14,063
Bad debt expense	965	-	-	98	-	1,063	-	1,700	2,763
	<u>\$ 5,256,751</u>	<u>\$ 1,850,460</u>	<u>\$ 787,682</u>	<u>\$ 535,954</u>	<u>\$ 737,012</u>	<u>\$ 9,167,859</u>	<u>\$ 1,168,931</u>	<u>\$ 391,870</u>	<u>\$ 10,728,660</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,155,284	\$ 883,341
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	371,712	389,828
Loss on disposal of property and equipment	27,273	-
Impairment loss	-	981,271
Changes in operating assets and liabilities:		
Accounts receivable	(251,535)	(137,730)
Pledges receivable, net of discount	79,893	220,917
Inventories	(166,065)	80,654
Prepaid expenses and other assets	7,937	38,936
Deferred rental income, net	(62,931)	(84,701)
Accounts payable	25,934	(9,805)
Accrued expenses	189,649	(63,190)
Deferred revenue	156,360	-
Other long-term liabilities	<u>(15,090)</u>	<u>-</u>
Net cash provided by operating activities	<u>1,518,421</u>	<u>2,299,521</u>
Cash flows from investing activity:		
Purchase of property and equipment	<u>(89,821)</u>	<u>(64,853)</u>
Net cash used in investing activity	<u>(89,821)</u>	<u>(64,853)</u>
Cash flows from financing activity:		
Repayments on long-term debt	<u>(308,526)</u>	<u>(315,901)</u>
Net cash used in financing activity	<u>(308,526)</u>	<u>(315,901)</u>
Net increase in cash	1,120,074	1,918,767
Cash, beginning of year	<u>4,584,878</u>	<u>2,666,111</u>
Cash, end of year	<u>\$ 5,704,952</u>	<u>\$ 4,584,878</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 406,986</u>	<u>\$ 424,824</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 (the Organization) is a not-for-profit organization formed in 1920 to provide charitable and social services to the needy and suffering. The Organization maintains and operates retail thrift stores selling donated goods and a food bank serving the needy and homeless. The Organization provides assistance and guidance to 50 parish-based volunteer groups (Conferences) which provide direct one-on-one assistance to the needy in their neighborhoods. The Organization operates in Seattle and King County in Washington State. The Organization has thrift stores located in Kenmore, Renton (also referred to as the Rainier property), Kent, and Burien. The Organization leases certain properties to external parties to supplement operations.

The Organization is managed by a Board of Directors that is comprised primarily of representatives of the Conferences. The Organization provides various means of support to the Conferences, including coordinating grant-funded basic needs relief, supplemental funding, food, and discounted 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 the Organization with separate officers.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. As reflected in the accompanying statements of financial position, the governing board of the Organization has designated a portion of the net assets without donor restrictions for particular uses. The only limits on the use of these net assets are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its organizational documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources subject to donor-imposed stipulations that may or will be met by the actions of the Organization or over the passage of time.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions. When a restricted contribution initially is a conditional contribution and the restrictions are met within the same accounting period, the Organization's policy is to record the contribution as net assets without donor restrictions. The Organization reports all other donor-restricted contributions as activity of net assets with donor restrictions and a release when the restriction is met.

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

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

Revenue Recognition

Contributions and Donated Services

The Organization receives both conditional and unconditional contributions. For unconditional contributions, bequests, cash securities, and other assets, the Organization recognizes revenue when it receives the contribution or notification of a contribution. Non-exchange government grants and contracts stipulate certain performance requirements and/or the incurrence of allowable qualifying expenses as a condition of entitlement to the funds. Unconditional promises to give with payment due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year (see Promises to Give below).

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, 2021 and 2020.

At times, the Organization 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.

The Organization receives significant donated services from unpaid volunteers who assist with fundraising and special projects, particularly for thrift stores and the food bank. Approximately 14,000 and 26,000 volunteer hours were contributed during the years ended September 30, 2021 and 2020, respectively. The COVID pandemic affected the volunteer hours significantly. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America (U.S. GAAP) have not been satisfied.

Conditional contributions

The Organization receives federal, state, and local grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the Organization. These contracts require the Organization to provide services to governmental constituents under varying payment arrangements including a fixed contract amount and reimbursed costs. A reduction in governmental allotments for social services could have a significant impact on the Organization.

In September 2020, the Organization was awarded \$3,346,350 from the King County Department of Community and Human Services as a subrecipient of the U.S. Department of the Treasury for rental assistance for households at risk of homelessness due to the COVID-19 pandemic. The Organization recognized \$3,238,277 of revenue for this grant during the year ended September 30, 2021.

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

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

As of September 30, 2021, the Organization recognized conditional contributions of \$5,301,752 and had conditional grants outstanding of \$1,926,195. As of September 30, 2021 and 2020, of the governmental contracts, two funders represented all of the contract revenue (King County, Washington and the City of Seattle). For the years ending September 30, 2021 and 2020, King County represented 80% and 90% of conditional contribution grants, respectively, and the City of Seattle represented 15% and 10% of conditional contribution grants, respectively. As of September 30, 2021 and 2020, 82% and 69%, of the accounts receivable balance were due from King County, Washington and the City of Seattle, respectively.

Exchange Revenue

The Organization receives payments for services it provides to clients and from sales of donated and purchased merchandise. Store sales are recognized net of returns and spoilage.

For services provided to clients, payors pay the Organization on varying bases: reimbursed costs and negotiated rates per service. The Organization reports exchange revenue net of expected retroactive and estimable discounts, as stipulated in agreements with payors. Retroactive adjustments have not been material, historically.

Significant balances associated with revenue for the Organization are as follows as of and for the years ended September 30, 2021 and 2020:

	2021	2020
	<u> </u>	<u> </u>
Accounts Receivable:		
Contributions receivable	\$ 484,015	\$ 206,657
Pledges Receivable	105,000	184,893
Exchange receivable	24,489	58,126
Other receivables	42,166	34,352
	<u> </u>	<u> </u>
	\$ 655,670	\$ 484,028
	<u> </u>	<u> </u>
Exchange Transactions:		
Store sales	\$ 2,901,401	\$ 2,467,002
Recycling	87,548	53,704
Fees from healthcare services	42,253	25,901
Other	4,884	30,724
	<u> </u>	<u> </u>
	\$ 3,036,086	\$ 2,577,331
	<u> </u>	<u> </u>
Contribution Transactions:		
Government	\$ 5,301,752	\$ 766,617
Paycheck Protection Program (PPP)	-	715,000
Foundations and religious organizations	525,287	371,699
In-kind	4,154,366	3,690,464
Other (individuals, special events)	2,189,612	3,329,899
	<u> </u>	<u> </u>
	\$ 12,171,017	\$ 8,873,679
	<u> </u>	<u> </u>

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

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

	2021	2020
Other Revenue:		
Rental income	\$ 1,126,722	\$ 1,134,088
Investment income	3,923	8,174
	<u>\$ 1,130,645</u>	<u>\$ 1,142,262</u>
Total Revenue	<u>\$ 16,337,748</u>	<u>\$ 12,593,272</u>

Expense Recognition and Allocation

The statements of activities and functional expenses present expenses by function and natural classification. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. For expenses benefitting multiple functional areas, the Organization allocates costs across programs and other supporting services. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Credit Risk

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

Accounts Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to a revenue valuation allowance based on the assessment of the current status of individual accounts.

Promises to Give

When a donor unconditionally promises to contribute funds in future periods, the Organization 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. The Organization considers all pledges receivable at September 30, 2021, due from two donors, 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

The Organization 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 depreciated using the straight-line method over their estimated useful lives of three to 39 years.

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

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

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. The Organization recognized an impairment loss during the year ended September 30, 2020, as further discussed in Note 6.

Federal Income Tax

The Organization is a nonprofit organization that is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, at times the Organization has had taxable income from the rental of certain debt-financed property. During the years ended September 30, 2021 and 2020, the Organization had no federal taxable income.

U.S. 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, 2021 and 2020, this guidance had no material effect on the Organization's financial statements.

The Organization's policies and monitoring processes ensure maintenance of its tax-exempt status, including identifying and reporting unrelated taxable income; determining and filing tax obligations in jurisdictions for which it has nexus; and identifying and evaluating to identify other tax matters and tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Retirement Plan

The Organization 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 the Organization for the years ended September 30, 2021 and 2020.

Advertising Costs

Advertising costs are expensed as incurred and are not material as a percentage of management and general and fundraising costs.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Reclassifications

Certain balances and amounts in the 2020 financial statements have been reclassified for comparative purposes to conform to the presentation of the 2021 financial statements.

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

Notes to Financial Statements

2. Organizational Risk

The Organization receives funding through grants and contracts from governmental bodies at federal, state, and local levels. These contracts require the Organization to provide services to governmental constituents under varying payment arrangements, primarily the reimbursement of allowable costs. A reduction in governmental allotments for social services could have a significant impact on the Organization.

The COVID-19 pandemic affected the Organization for all of the fiscal year ending September 30, 2021 and part of the fiscal year ending September 30, 2020. The Organization temporarily closed its thrift stores in March 2020 and reopened four of the five at reduced capacity. The Organization temporarily reduced staffing in the initial months of the pandemic. The Organization's revenue was reduced by approximately \$1.3 million; in-kind donations of saleable goods were lower by approximately \$1.1 million. Additionally, the Organization did not re-open one of its stores resulting in an impairment loss of approximately \$1 million in the fiscal year ending September 30, 2020 (see Note 6). The Organization recognizes the risk that in-kind donations and thrift store sales will not return to pre-pandemic levels.

3. Self-Insurance

The Organization is a member of the First Nonprofit Unemployment Savings Program, LLC (the Trust). The Trust facilitates member agencies' payment of its obligations under the State Unemployment Insurance Statutes. The Organization has funds on deposit of \$87,147 and \$109,010 at September 30, 2021 and 2020, respectively, with the Trust to fund these obligations. Participation in the Trust provides for stop loss coverage to limit the Organization's unemployment cost exposure. These funds on deposit are included in other assets on the statements of financial position. Any potential claims that may exist cannot be reasonably estimated at September 30, 2021; therefore, no accrual has been recorded within the statements of financial position.

4. Inventories

Inventories consist of the following:

	September 30,	
	2021	2020
Donated goods:		
Thrift merchandise	\$ 477,079	\$ 294,444
Food bank	33,075	46,134
Other	11,300	8,234
Purchased goods	22,132	28,709
	<u>\$ 543,586</u>	<u>\$ 377,521</u>

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

Notes to Financial Statements

5. Property and Equipment, Net

Property and equipment, net consist of the following:

	September 30,	
	2021	2020
Buildings and improvements	\$ 8,512,901	\$ 8,521,411
Office furniture and equipment	1,156,470	1,381,305
Trucks and other operating equipment	100,540	100,540
	<u>9,769,911</u>	<u>10,003,256</u>
Less accumulated depreciation and amortization	<u>5,828,909</u>	<u>5,789,879</u>
	3,941,002	4,213,377
Land	7,596,195	7,596,195
Construction in progress	-	22,597
	<u>\$ 11,537,197</u>	<u>\$ 11,832,169</u>

See Note 6 for discussion of the impairment loss recognized during the year ended September 30, 2020.

6. Loss on Impairment of Property and Equipment

In March 2020, the Aurora thrift store was closed as a result of the Coronavirus pandemic and has not reopened. Management currently has no intention of reopening the thrift store and has the intention to sell, lease or redevelop the property in partnership with government and other non-governmental organizations. As a result, an impairment loss has been recognized in the accompanying statements of activities and cash flows for the year ended September 30, 2020. The impairment loss of \$981,271 for the year ended September 30, 2020 represented the difference between the carrying value of the underlying assets related to the Aurora thrift store and the fair value of the assets, which was determined by an independent appraiser using the sales comparison approach. The method used to determine the fair value of the assets may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation method is appropriate, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

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

Notes to Financial Statements

7. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30 are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 5,704,952	\$ 4,584,878
Accounts receivable	550,670	299,135
Pledges receivable, net	<u>105,000</u>	<u>184,893</u>
Total financial assets	6,360,622	5,068,906
Less: financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	551,980	673,744
Less: financial assets not available within one year:		
Pledges receivable	<u>-</u>	<u>90,015</u>
Amount available for general expenditures within one year	<u>\$ 5,808,642</u>	<u>\$ 4,305,147</u>

The Organization receives contributions and promises to give from donors restricted for certain programs. The Organization considers such restricted contributions to be central to its annual operations, and as such, makes restricted program donations available to meet cash needs for general expenditures.

The Organization manages liquidity and reserves using three guiding principles: to operate within a prudent range of financial soundness and stability, maintain adequate liquid assets to fund near-term operating needs, and maintain sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization maintains a minimum debt service ratio of 1.1, consistent with its debt covenants.

While the Organization does not intend to spend board designated assets without donor restriction, the amounts could be made available for current operations, if necessary.

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

Notes to Financial Statements

8. Long-Term Debt

The following table represents outstanding long-term debt as of September 30. The Organization pays monthly principal and interest payments, with balloon payments due at maturity on all debts except the Burien property.

Lender	Collateral	Original Note	Interest rate	Maturity date	September 30,	
					2021	2020
Private lender	Burien property	\$1,000,000	6.30%	April 1, 2022	\$ 58,977	\$ 155,181
Columbia Bank	Kent property	\$1,950,000	5.74%	April 27, 2024	1,605,378	1,656,799
Columbia Bank	Renton property	\$1,201,344	5.74%	April 27, 2024	989,031	1,020,710
Columbia Bank	Georgetown property	\$1,500,000	5.23%	December 30, 2024	1,261,030	1,301,014
Columbia Bank	Kenmore property	\$1,425,000	5.23%	December 30, 2024	1,197,978	1,235,963
Columbia Bank	Aurora property addition	\$612,500	4.84%	January 10, 2025	515,270	532,218
Private trust	Aurora property	\$1,917,600	6.00%	December 10, 2036	1,449,710	1,484,015
					7,077,374	7,385,900
				Less current portion	281,094	310,362
					<u>\$ 6,796,280</u>	<u>\$ 7,075,538</u>

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. The Organization was in compliance with these ratios at September 30, 2021.

Scheduled maturities of long-term debt are as follows:

Year ending September 30,	Total
2022	\$ 281,094
2023	286,232
2024	2,540,041
2025	2,640,184
2026	34,743
Thereafter	1,295,080
	<u>\$ 7,077,374</u>

9. Paycheck Protection Program

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. In April 2020, the Organization obtained a loan under the PPP with a principal balance of \$715,000. The Organization recognized revenue of \$715,000 as a conditional contribution during the year ended September 30, 2020 as the conditions for forgiveness of the loan had been substantially met. The Organization received formal forgiveness of the PPP loan in May 2021.

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

Notes to Financial Statements

10. Special Events

The Organization sponsors one major fundraising event. The gross revenue and direct expenses were as follows for the years ended September 30:

	2021	2020
Gross Revenues	\$ 319,855	\$ 396,809
Direct Expenses	\$ 15,808	\$ 31,469

11. Lease Income

The Organization leases property to tenants under operating leases expiring at various dates through 2089. The leases include rent escalation or advance payment clauses and various options to extend the leases from one year up to 20 years. 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 U.S. 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 at September 30, 2021 approximated \$3,301,000 and \$1,143,000, respectively.

Minimum lease rentals to be received are as follows:

Year ending September 30,	
2022	\$ 1,022,569
2023	1,038,739
2024	1,043,382
2025	1,021,502
2026	1,014,200
Thereafter	54,895,508
	<u>\$ 60,035,900</u>

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of September 30:

	2021	2020
Subject to expenditure for specified purpose:		
Case management	\$ 528,410	\$ 484,848
Conferences	15,000	114,108
Centro rendu	-	74,788
COVID relief and basic needs	8,570	-
	<u>\$ 551,980</u>	<u>\$ 673,744</u>

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

Notes to Financial Statements

12. Net Assets with Donor Restrictions, continued

Net assets were released from time and purpose donor restrictions during the years ended September 30, by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	2021	2020
Program services	\$ 152,952	\$ 694,701
COVID relief and basic needs	580,377	61,616
Conferences	246,074	132,699
	<u>\$ 979,403</u>	<u>\$ 889,016</u>

13. Designated Net Assets

The Organization holds designated assets without donor restrictions totaling \$100,000 for a capital fund as of September 30, 2021. There were no designated assets as of September 30, 2020.

14. Deferred Revenue

The Organization records funding received but for which the Organization will render services in the future as deferred revenue within the statement of financial position as of September 30, 2021. Deferred revenue of \$156,360 as of September 30, 2021 consists of funding received in advance of reimbursable costs with King County.

15. Subsequent Events and Contingencies

The Organization was subject to the audit requirements of the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations Part 200 as a result of being a subrecipient of the U.S. Department of the Treasury for the grant for rental assistance for households at risk of homelessness due to the COVID-19 pandemic. The Organization submitted a related Single Audit by December 21, 2022.

In October 2022, the Organization received a notice from the IRS assessing a penalty in the amount of \$106,400 related to the incorrect filing of certain information returns. The Organization has disputed the penalty; however, the outcome is uncertain at this time. As a result, the \$106,400 is included in accrued expenses within the statement of financial position as of September 30, 2021.

In August 2022, the Organization renegotiated the interest rate to 4.4% on all commercial mortgages with rates ranging 4.84% to 5.75%. All other terms remained unchanged.

From time to time, the Organization is subject to litigation and regulatory investigations arising in the normal course of business. Management is not aware of any litigation or investigations that they believe will have, individually or in the aggregate, a material adverse effect on the Organization's future financial position or results from operations. No other subsequent events were identified through August 30, 2023, the date the financial statements were available to be issued.