

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

September 30, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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 audits.

VWC, P.S.

October 27, 2023

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

Statements of Financial Position

September 30, 2022 and 2021

	2022	2021
	<i>Assets</i>	
Current assets:		
Cash	\$ 5,629,393	\$ 5,704,952
Accounts receivable	260,330	560,022
Pledges receivable, net of discount	6,000	105,000
Inventories	537,613	534,119
Prepaid expenses and other	196,217	191,553
Total current assets	<u>6,629,553</u>	<u>7,095,646</u>
Property and equipment, net	11,584,808	11,537,197
Deferred rental income, net	2,008,716	1,951,835
	<u>\$ 20,223,077</u>	<u>\$ 20,584,678</u>
	<i>Liabilities and Net Assets</i>	
Current liabilities:		
Accounts payable	\$ 106,177	\$ 108,828
Accrued expenses	645,208	460,555
Deferred revenue	-	156,360
Current portion of long-term debt	286,232	281,094
Total current liabilities	<u>1,037,617</u>	<u>1,006,837</u>
Other long-term liabilities	53,574	43,705
Long-term debt, net of current portion	6,465,984	6,738,022
Total liabilities	<u>7,557,175</u>	<u>7,788,564</u>
Net assets:		
Without donor restrictions	11,979,978	12,144,134
Without donor restrictions - board designated	159,556	100,000
With donor restrictions	526,368	551,980
Total net assets	<u>12,665,902</u>	<u>12,796,114</u>
	<u>\$ 20,223,077</u>	<u>\$ 20,584,678</u>

See accompanying notes to the financial statements.

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

Statement of Activities

Year Ended September 30, 2022

	Support without Donor Restrictions	Board Designated Contributions	Total Support without Donor Restrictions	Support with Donor Restrictions	2022 Total
Operating activities:					
In-kind contributions	\$ 3,705,766	\$ -	\$ 3,705,766	\$ -	\$ 3,705,766
Thrift store sales	3,053,063	-	3,053,063	-	3,053,063
Conditional contribution grants	2,101,576	-	2,101,576	-	2,101,576
Contributions	438,794	364,500	803,297	667,608	1,470,905
Rent revenue	1,133,404	-	1,133,404	-	1,133,404
Fundraising revenue	177,579	150,000	327,579	-	327,579
Service fee revenue	168,843	-	168,843	-	168,843
Investment income, net	4,357	-	4,357	-	4,357
Total public support	10,783,382	514,500	11,297,885	667,608	11,965,493
Net assets released from restriction	693,220	-	693,220	(693,220)	-
Operating expenses:					
Program services	10,431,989	-	10,431,989	-	10,431,989
General and administrative	1,484,118	-	1,484,118	-	1,484,118
Fundraising	179,595	-	179,595	-	179,595
Total operating expenses	12,095,702	-	12,095,702	-	12,095,702
Change in net assets from operating activities	(619,100)	514,500	(104,600)	(25,612)	(130,212)
Non-operating activities:					
Release of board designated funds	454,944	(454,944)	-	-	-
Change in net assets from non-operating activities	454,944	(454,944)	-	-	-
Total change in net assets	(164,156)	59,556	(104,600)	(25,612)	(130,212)
Net assets, beginning of year	12,144,134	100,000	12,244,134	551,980	12,796,114
Net assets, end of year	\$ 11,979,978	\$ 159,556	\$ 12,139,534	\$ 526,368	\$ 12,665,902

See accompanying notes to the financial statements.

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

Statement of Activities

Year Ended September 30, 2021

	Support without Donor Restrictions	Board Designated Contributions	Total Support without Donor Restrictions	Support with Donor Restrictions	2021 Total
Operating activities:					
Conditional contribution grants	\$ 5,301,752	\$ -	\$ 5,301,752	\$ -	\$ 5,301,752
In-kind contributions	4,154,366	-	4,154,366	-	4,154,366
Thrift store sales	2,988,949	-	2,988,949	-	2,988,949
Contributions	912,405	625,000	1,537,405	857,639	2,395,044
Rent revenue	1,126,722	-	1,126,722	-	1,126,722
Fundraising revenue	319,855	-	319,855	-	319,855
Service fee revenue	42,253	-	42,253	-	42,253
Other revenue	4,884	-	4,884	-	4,884
Investment income, net	3,923	-	3,923	-	3,923
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>
Net assets released from restriction	<u>979,403</u>	<u>-</u>	<u>979,403</u>	<u>(979,403)</u>	<u>-</u>
Operating expenses:					
Program services	13,701,001	-	13,701,001	-	13,701,001
General and administrative	1,264,945	-	1,264,945	-	1,264,945
Fundraising	189,245	-	189,245	-	189,245
Total operating expenses	<u>15,155,191</u>	<u>-</u>	<u>15,155,191</u>	<u>-</u>	<u>15,155,191</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>
Non-operating activities:					
Loss on disposal of assets	(27,273)	-	(27,273)	-	(27,273)
Release of board designated funds	<u>525,000</u>	<u>(525,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>
Total change in net assets	1,177,048	100,000	1,277,048	(121,764)	1,155,284
Net assets, beginning of year	10,967,086	-	10,967,086	673,744	11,640,830
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>

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, 2022

	Program Services					Total	General and Administrative	Fundraising	Total
	Thrift Stores	Food Bank	Centro Rendu	Conferences	Helpline & Case Management				
Salaries and wages	\$ 1,627,023	\$ 122,639	\$ 567,085	\$ 71,583	603,145	\$ 2,991,475	\$ 698,553	\$ 107,831	\$ 3,797,859
Cost of merchandise sold	2,915,428	-	-	2,565	-	2,917,993	-	-	2,917,993
Direct assistance	3,722	68,371	147,191	576,040	660,390	1,455,714	-	-	1,455,714
In-kind direct assistance	-	1,034,419	-	5,310	-	1,039,729	-	-	1,039,729
Benefits and taxes	313,739	29,503	77,445	16,349	111,784	548,820	44,919	26,777	620,516
Interest and bank fees	303,916	24,684	3,037	3,045	-	334,682	128,463	7,966	471,111
Depreciation and amortization	119,340	29,527	24,752	15,268	32,375	221,262	42,322	4,249	267,833
Professional services	-	-	118,314	300	2,969	121,583	90,032	13,054	224,669
Taxes and fees	50,539	3,632	579	443	102	55,295	158,529	-	213,824
Communications and technology	17,571	5,395	22,150	2,052	42,249	89,417	98,040	7,524	194,981
Occupancy and utilities	111,782	10,840	16,986	828	714	141,150	22,846	-	163,996
Other expense	2,253	1,876	40,473	18,856	2,520	65,978	97,137	5,510	168,625
Insurance	59,344	14,595	13,358	8,040	17,374	112,711	21,355	2,280	136,346
Program costs	-	120	64,508	19,265	1,465	85,358	-	-	85,358
Maintenance and repairs	36,537	33,256	2,132	1,272	1,322	74,519	31,545	1,131	107,195
Supplies, printing, postage	34,290	8,350	9,414	1,382	1,967	55,403	30,670	3,273	89,346
Refuse and dump fees	54,707	6,057	-	-	-	60,764	986	-	61,750
Vehicle and transport	51,615	340	3,400	-	1,190	56,545	2,405	-	58,950
Bad debt	3,591	-	-	-	-	3,591	16,316	-	19,907
	<u>\$ 5,705,397</u>	<u>\$ 1,393,604</u>	<u>\$ 1,110,824</u>	<u>\$ 742,598</u>	<u>\$ 1,479,566</u>	<u>\$ 10,431,989</u>	<u>\$ 1,484,118</u>	<u>\$ 179,595</u>	<u>\$ 12,095,702</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, 2021

	Program Services					Total	General and Administrative	Fundraising	Total
	Thrift Stores	Food Bank	Centro Rendu	Conferences	Helpline & Case Management				
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 and 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 Cash Flows

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (130,212)	\$ 1,155,284
Adjustments to reconcile the (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	263,731	371,712
Loss on disposal of property and equipment	-	27,273
Changes in operating assets and liabilities:		
Accounts receivable	299,692	(260,887)
Pledges receivable, net of discount	99,000	79,893
Inventories	(3,494)	(156,598)
Prepaid expenses and other assets	(4,664)	7,822
Deferred rental income, net	(56,881)	(62,931)
Accounts payable	(2,651)	23,984
Accrued expenses	184,653	191,599
Deferred revenue	(156,360)	156,360
Other long-term liabilities	9,869	(15,090)
Net cash provided by operating activities	<u>502,683</u>	<u>1,518,421</u>
Cash flows from investing activity:		
Purchase of property and equipment	<u>(297,150)</u>	<u>(89,821)</u>
Net cash used in investing activity	<u>(297,150)</u>	<u>(89,821)</u>
Cash flows from financing activity:		
Repayments on long-term debt	<u>(281,092)</u>	<u>(308,526)</u>
Net cash used in financing activity	<u>(281,092)</u>	<u>(308,526)</u>
Net (decrease) increase in cash	(75,559)	1,120,074
Cash, beginning of year	<u>5,704,952</u>	<u>4,584,878</u>
Cash, end of year	<u>\$ 5,629,393</u>	<u>\$ 5,704,952</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 388,557</u>	<u>\$ 406,986</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 and communities of color and children. 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 Roman Catholic parish-based volunteer groups (Conferences) which provide direct one-on-one assistance to people in need in their neighborhoods. The Organization operates in Seattle and King County in Washington State. The Organization has thrift stores located in Kenmore, Renton, Kent, and Burien. The administrative offices and food bank are located in Seattle's Georgetown district. 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 and bank accounts.

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 from the nature of the Organization and its 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. It is the Organization's policy to sell all thrift merchandise in the various thrift stores in order to help fund the various programs of the Organization. Contributed food is not monetized as it is donated through the food bank. Substantially all contributed food was donated by two organizations during the years ended September 30, 2022 and 2021. Contributed in-kind contributions did not have donor-imposed restrictions.

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 9,000 and 14,000 volunteer hours were contributed during the years ended September 30, 2022 and 2021, 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.

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

Revenue Recognition, continued

As of September 30, 2022, the Organization recognized conditional contributions of \$2,101,576 and had conditional grants outstanding of \$815,682. As of September 30, 2022 and 2021, of the governmental contracts, two funders represented the majority of the contract revenue (King County, Washington and the City of Seattle). For the years ending September 30, 2022 and 2021, King County represented 57% and 80% of conditional contribution grants, respectively, and the City of Seattle represented 29% and 15% of conditional contribution grants, respectively. As of September 30, 2022 and 2021, 62% and 82%, 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, 2022 and 2021:

	September 30,	
	2022	2021
Accounts and Pledges Receivable:		
Contributions receivable	\$ 214,079	\$ 484,015
Conferences	36,751	-
Pledges receivable	6,000	105,000
Exchange receivable	3,278	24,489
Other receivables	6,222	51,518
	\$ 266,330	\$ 665,022
Exchange Transactions:		
Store sales	\$ 2,978,943	\$ 2,901,401
Fees from healthcare services	168,843	42,253
Recycling	74,120	87,548
Other	-	4,884
	\$ 3,221,906	\$ 3,036,086

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

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

Revenue Recognition, continued

	<u>2022</u>	<u>2021</u>
Contribution Transactions:		
In-kind thrift merchandise	\$ 2,671,347	\$ 2,795,172
Government	2,101,576	5,301,752
In-kind food	1,034,419	1,359,194
Foundations and religious organizations	412,076	525,287
Other (individuals, special events)	1,386,408	2,189,612
	<u>\$ 7,605,826</u>	<u>\$ 12,171,017</u>
Other Revenue:		
Rental income	\$ 1,133,404	\$ 1,126,722
Investment income	4,357	3,923
	<u>\$ 1,137,761</u>	<u>\$ 1,130,645</u>
Total Revenue	<u>\$ 11,965,493</u>	<u>\$ 16,337,748</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 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. Pledges receivable, due from one donor as of September 30, 2022, is due within one year. The Organization considers all pledges receivable at September 30, 2022, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

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

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

Inventories

Inventories are stated at fair value, which is based on 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.

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 did not recognize any impairment losses during the years ended September 30, 2022 and 2021.

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 year ended September 30, 2022, the Organization had \$15,330 of federal taxes due which is included in taxes and fees in the accompanying statement of functional expenses. There was no taxable federal income for the year ended September 30, 2021.

U.S. GAAP includes guidance that requires the measurement and disclosure of tax benefits arising from uncertain tax positions. As of and for the years ended September 30, 2022 and 2021, 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 Organization created a new plan during the year ended September 30, 2022 allowing employees to defer salaries and the employer to make discretionary contributions. The Organization made contributions totaling \$6,406 during the year ended September 30, 2022. The Organization did not make contributions for the year ended September 30, 2021.

Advertising Costs

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

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

Notes to Financial Statements

1. Organization and Significant Accounting Policies, continued

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 2021 financial statements have been reclassified for comparative purposes to conform to the presentation of the 2022 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 part of the year ended September 30, 2022 and all of the year ended September 30, 2021. The Organization temporarily closed its thrift stores in March 2020 and reopened four of the five at reduced capacity. By the end of the year ended September 30, 2022, four of the five stores were reopened at full capacity. While the thrift stores had temporarily reduced staffing in the initial months of the pandemic, staffing levels were to pre-pandemic levels by September 30, 2022. The Organization permanently closed one store, resulting in reduced revenue by approximately \$1.3 million. Related in-kind donations of saleable goods were lower during the pandemic, increasing to approximately \$1.1 million in the year ended September 30, 2022. The Organization recognizes the risk that in-kind donations and thrift store sales will not return to pre-pandemic levels due to the store closure and changes in consumer behaviors.

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 \$82,125 and \$86,147 at September 30, 2022 and 2021, 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, 2022; therefore, no accrual has been recorded within the statements of financial position.

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

Notes to Financial Statements

4. Inventories

Inventories consist of the following:

	September 30,	
	2022	2021
Donated goods:		
Thrift merchandise	\$ 483,533	\$ 474,962
Food bank	15,039	33,075
Other	7,460	3,950
Purchased goods	31,581	22,132
	<u>\$ 537,613</u>	<u>\$ 534,119</u>

5. Property and Equipment, Net

Property and equipment, net consist of the following:

	September 30,	
	2022	2021
Buildings and improvements	\$ 8,683,619	\$ 8,512,901
Office furniture and equipment	1,149,405	1,156,470
Trucks and other operating equipment	100,540	100,540
	<u>9,933,564</u>	<u>9,769,911</u>
Less accumulated depreciation and amortization	6,016,937	5,828,909
	3,916,627	3,941,002
Land	7,596,195	7,596,195
Construction in progress	71,986	-
	<u>\$ 11,584,808</u>	<u>\$ 11,537,197</u>

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

Notes to Financial Statements

6. 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, 2022 are:

Financial assets:		
Cash	\$	5,629,393
Accounts receivable		260,330
Pledges receivable		6,000
Total financial assets		5,895,723
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets		526,368
Amount available for general expenditures within one year	\$	5,369,355

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.

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

7. 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.

Lender	Collateral	Original Note	Interest Rate	Maturity Date	September 30,	
					2022	2021
Private lender	Burien property	\$ 1,000,000	6.30%	April 1, 2022	\$ -	\$ 58,977
Columbia Bank	Kent property	\$ 1,950,000	4.40%	April 27, 2024	1,548,399	1,605,378
Columbia Bank	Renton property	\$ 1,201,344	4.40%	April 27, 2024	953,927	989,031
Columbia Bank	Georgetown property	\$ 1,500,000	4.40%	December 30, 2024	1,217,583	1,261,030
Columbia Bank	Kenmore property	\$ 1,425,000	4.40%	December 30, 2024	1,156,703	1,197,978
Columbia Bank	Aurora property addition	\$ 612,500	4.40%	January 10, 2025	497,318	515,270
Private trust	Aurora property	\$ 1,917,600	6.00%	December 10, 2036	1,422,352	1,449,710
					6,796,282	7,077,374
				Less current portion	286,232	281,094
				Less unamortized financing costs	44,066	58,258
					\$ 6,465,984	\$ 6,738,022

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

Notes to Financial Statements

7. Long-Term Debt, continued

In August 2022, the Organization refinanced its bank mortgages to lower the interest rate paid. The interest rate for all commercial bank mortgages changed to 4.40% from rates ranging from 4.84% to 5.74%. Maturity dates were unchanged. 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, 2022.

Scheduled maturities of long-term debt are as follows:

<u>Year ending September 30,</u>	<u>Total</u>
2023	\$ 286,232
2024	2,539,123
2025	2,640,374
2026	34,743
2027	36,886
Thereafter	<u>1,258,924</u>
	<u>\$ 6,796,282</u>

8. Special Events

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

	<u>2022</u>	<u>2021</u>
Gross Revenues	<u>\$ 328,008</u>	<u>\$ 319,855</u>
Direct Expenses	<u>\$ 54,589</u>	<u>\$ 15,808</u>

9. 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, 2022 approximated \$3,310,000 and \$1,207,000, respectively.

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

Notes to Financial Statements

9. Lease Income, continued

Minimum lease rentals to be received are as follows:

Year ending September 30,	
2023	\$ 1,038,739
2024	1,025,232
2025	1,017,652
2026	1,014,199
2027	1,020,878
Thereafter	<u>53,874,630</u>
	<u>\$ 58,991,330</u>

10. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Case management	\$ 290,711	\$ 528,410
Support for immigrants and veterans	139,907	-
Capacity building	95,750	-
Conferences	-	15,000
COVID relief and basic needs	-	8,570
	<u>\$ 526,368</u>	<u>\$ 551,980</u>

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:

	<u>2022</u>	<u>2021</u>
Case management	\$ 407,218	\$ 152,952
Conferences	168,737	246,074
Capacity building	51,250	-
Support for immigrants and veterans	44,132	-
Food and clothing	21,883	-
COVID relief and basic needs	-	580,377
	<u>\$ 693,220</u>	<u>\$ 979,403</u>

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

Notes to Financial Statements

11. Designated Net Assets

The Organization holds designated assets without donor restrictions for the following purposes as of September 30:

	<u>2022</u>	<u>2021</u>
Direct assistance through conferences	\$ 145,056	\$ 100,000
Conference technology support	14,500	-
	<u>\$ 159,556</u>	<u>\$ 100,000</u>

The Organization designated contributions received for the following purposes during the years ended September 30, as follows:

	<u>2022</u>	<u>2021</u>
Direct assistance through conferences	\$ 500,000	\$ 625,000
Conference technology support	14,500	-
	<u>\$ 514,500</u>	<u>\$ 625,000</u>

12. 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, 2022.

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 October 27, 2023, the date the financial statements were available to be issued.