

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

September 30, 2023 and 2022

**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, 2023 and 2022, 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, 2023 and 2022, 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.

#### ***Substantial Doubt about the Organization's Ability to Continue as a Going Concern***

The accompanying financial statements have been prepared assuming the Organization will continue as a going concern. As discussed in Note 1 to the financial statements, there is substantial doubt about the ability of the Organization to continue as a going concern at September 30, 2023. Management's evaluation of the events and conditions and management's plans in regard to that matter also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

#### ***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.

April 18, 2024

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

Statements of Financial Position

September 30, 2023 and 2022

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| <b><i>Assets</i></b>                          |                      |                      |
| Current assets:                               |                      |                      |
| Cash  | \$ 1,786,544         | \$ 5,629,393         |
| Marketable securities                         | 2,569,972            | -                    |
| Accounts receivable                           | 221,787              | 260,330              |
| Pledges receivable, net                       | 3,150                | 6,000                |
| Inventories                                   | 522,055              | 528,267              |
| Prepaid expenses and other                    | <u>181,208</u>       | <u>209,356</u>       |
| Total current assets                          | 5,284,716            | 6,633,346            |
| Property and equipment, net                   | 11,354,150           | 11,584,808           |
| Deferred rental income, net                   | 2,059,428            | 2,008,716            |
| Right-of-use assets                           | <u>71,779</u>        | <u>-</u>             |
|   | <u>\$ 18,770,073</u> | <u>\$ 20,226,870</u> |
| <b><i>Liabilities and Net Assets</i></b>      |                      |                      |
| Current liabilities:                          |                      |                      |
| Accounts payable                              | \$ 85,234            | \$ 117,948           |
| Accrued expenses                              | 629,077              | 619,080              |
| Deferred revenue                              | 92,434               | -                    |
| Current portion of lease obligations          | 33,814               | -                    |
| Current portion of long-term debt             | <u>5,149,166</u>     | <u>286,232</u>       |
| Total current liabilities                     | 5,989,725            | 1,023,260            |
| Long-term debt, net of current portion        | 1,359,745            | 6,484,134            |
| Lease obligations, net of current portion     | 36,155               | -                    |
| Other long-term liabilities                   | <u>475</u>           | <u>53,574</u>        |
| Total liabilities                             | <u>7,386,100</u>     | <u>7,560,968</u>     |
| Net assets:                                   |                      |                      |
| Without donor restrictions                    | 10,844,783           | 11,979,978           |
| Without donor restrictions - board designated | 231,679              | 159,556              |
| With donor restrictions                       | <u>307,511</u>       | <u>526,368</u>       |
| Total net assets                              | <u>11,383,973</u>    | <u>12,665,902</u>    |
|   | <u>\$ 18,770,073</u> | <u>\$ 20,226,870</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, 2023

|   | Support without<br>Donor<br>Restrictions | Board<br>Designated<br>Contributions | Total Support<br>without Donor<br>Restrictions | Support with<br>Donor<br>Restrictions | Total                |
|---|--|--------------------------------------|--|---------------------------------------|----------------------|
| Operating activities:                                 |  |                                      |  |                                       |                      |
| In-kind contributions                                 | \$ 3,600,276                             | \$ -                                 | \$ 3,600,276                                   | \$ -                                  | \$ 3,600,276         |
| Thrift store sales                                    | 3,019,964                                | -                                    | 3,019,964                                      | -                                     | 3,019,964            |
| Conditional contribution grants                       | 1,476,768                                | -                                    | 1,476,768                                      | -                                     | 1,476,768            |
| Contributions   | 670,690                                  | -                                    | 670,690  | 277,188                               | 947,878              |
| Service fee revenue                                   | 234,142                                  | -                                    | 234,142  | -                                     | 234,142              |
| Fundraising revenue                                   | 179,976                                  | -                                    | 179,976  | -                                     | 179,976              |
| Rent revenue  | 1,086,513                                | -                                    | 1,086,513                                      | -                                     | 1,086,513            |
| Investment (loss), net                                | (33,927)                                 | -                                    | (33,927)                                       | -                                     | (33,927)             |
| Miscellaneous revenue                                 | 10,698                                   | -                                    | 10,698   | -                                     | 10,698               |
| <b>Total public support</b>                           | <b>10,245,100</b>                        | <b>-</b>                             | <b>10,245,100</b>                              | <b>277,188</b>                        | <b>10,522,288</b>    |
| Net assets released from<br>restriction               | 496,045                                  | -                                    | 496,045  | (496,045)                             | -                    |
| Operating expenses:                                   |  |                                      |  |                                       |                      |
| Program services                                      | 9,787,296                                | -                                    | 9,787,296                                      | -                                     | 9,787,296            |
| General and administrative                            | 1,864,432                                | -                                    | 1,864,432                                      | -                                     | 1,864,432            |
| Fundraising   | 139,773                                  | -                                    | 139,773  | -                                     | 139,773              |
| <b>Total operating expenses</b>                       | <b>11,791,501</b>                        | <b>-</b>                             | <b>11,791,501</b>                              | <b>-</b>                              | <b>11,791,501</b>    |
| Change in net assets from<br>operating activities     | (1,050,356)                              | -                                    | (1,050,356)                                    | (218,857)                             | (1,269,213)          |
| Non-operating activities:                             |  |                                      |  |                                       |                      |
| Loss on disposal                                      | (5,282)                                  | -                                    | (5,282)  | -                                     | (5,282)              |
| Loss on pledges receivable                            | (7,434)                                  | -                                    | (7,434)  | -                                     | (7,434)              |
| Transfer and release of designated<br>funds, net      | (72,123)                                 | 72,123                               | -  | -                                     | -                    |
| Change in net assets from<br>non-operating activities | (84,839)                                 | 72,123                               | (12,716)                                       | -                                     | (12,716)             |
| <b>Total change in net assets</b>                     | <b>(1,135,195)</b>                       | <b>72,123</b>                        | <b>(1,063,072)</b>                             | <b>(218,857)</b>                      | <b>(1,281,929)</b>   |
| Net assets, beginning of year                         | 11,979,978                               | 159,556                              | 12,139,534                                     | 526,368                               | 12,665,902           |
| <b>Net assets, end of year</b>                        | <b>\$ 10,844,783</b>                     | <b>\$ 231,679</b>                    | <b>\$ 11,076,462</b>                           | <b>\$ 307,511</b>                     | <b>\$ 11,383,973</b> |

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<br>Donor<br>Restrictions | Board<br>Designated<br>Contributions | Total Support<br>without Donor<br>Restrictions | Support with<br>Donor<br>Restrictions | 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                              | 803,294  | 667,608                               | 1,470,902     |
| Fundraising revenue                                   | 177,579                                  | 150,000                              | 327,579  | -                                     | 327,579       |
| Service fee revenue                                   | 168,843                                  | -                                    | 168,843  | -                                     | 168,843       |
| Rent revenue  | 1,133,404                                | -                                    | 1,133,404                                      | -                                     | 1,133,404     |
| Investment income, net                                | 4,357                                    | -                                    | 4,357  | -                                     | 4,357         |
| Total public support                                  | 10,783,382                               | 514,500                              | 11,297,882                                     | 667,608                               | 11,965,490    |
| Net assets released from<br>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<br>operating activities     | (619,100)                                | 514,500                              | (104,600)                                      | (25,612)                              | (130,212)     |
| Non-operating activities:                             |  |                                      |  |                                       |               |
| Release of board designated<br>funds                  | 454,944                                  | (454,944)                            | -  | -                                     | -             |
| Change in net assets from<br>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 Functional Expenses

Year Ended September 30, 2023

|                               | Program Services    |                     |                     |                   |                            | Total               | General and Administrative | Fundraising       | Total                |
|-------------------------------|---------------------|---------------------|---------------------|-------------------|----------------------------|---------------------|----------------------------|-------------------|----------------------|
|                               | Thrift Stores       | Food Bank           | Centro Rendu        | Conferences       | Helpline & Case Management |                     |                            |                   |                      |
| Salaries and wages            | \$ 1,715,281        | \$ 113,626          | \$ 770,472          | \$ 25,000         | 488,712                    | \$ 3,113,091        | \$ 761,057                 | \$ 77,596         | \$ 3,951,744         |
| Benefits and taxes            | 320,446             | 21,294              | 123,255             | 4,216             | 83,259                     | 552,470             | 122,085                    | 14,789            | 689,344              |
| Total employee costs          | 2,035,727           | 134,920             | 893,727             | 29,216            | 571,971                    | 3,665,561           | 883,142                    | 92,385            | 4,641,088            |
| Cost of merchandise sold      | 2,935,316           | -                   | -                   | 2,755             | -                          | 2,938,071           | -                          | -                 | 2,938,071            |
| Direct assistance             | 18,015              | 58,312              | 264,244             | 147,915           | 362,923                    | 851,409             | -                          | -                 | 851,409              |
| In-kind direct assistance     | -                   | 889,754             | -                   | 6,006             | -                          | 895,760             | -                          | -                 | 895,760              |
| Professional services         | 30,175              | -                   | 101,629             | 4,250             | 991                        | 137,045             | 454,949                    | 18,934            | 610,928              |
| Communications and technology | 15,001              | 5,301               | 16,016              | 4,996             | 31,472                     | 72,786              | 157,647                    | 6,862             | 237,295              |
| Occupancy and utilities       | 104,932             | 5,628               | 23,838              | 250               | 1,008                      | 135,656             | 38,486                     | -                 | 174,142              |
| Insurance                     | 29,835              | 14,917              | 44,752              | 29,835            | 15,146                     | 134,485             | 7,459                      | 7,459             | 149,403              |
| Maintenance and repairs       | 54,259              | 18,353              | 3,683               | 78                | 700                        | 77,073              | 37,033                     | -                 | 114,106              |
| Supplies, printing, postage   | 57,578              | 3,415               | 23,326              | 4,688             | 3,121                      | 92,128              | 20,459                     | 671               | 113,258              |
| Vehicle and transport         | 37,185              | 2,241               | 16,492              | 2,979             | 4,315                      | 63,212              | 5,789                      | 348               | 69,349               |
| Taxes and fees                | 49,112              | 3,292               | 2,818               | 405               | -                          | 55,627              | 15,234                     | -                 | 70,861               |
| Refuse and dump fees          | 42,889              | 5,218               | 102                 | 102               | -                          | 48,311              | 2,639                      | -                 | 50,950               |
| Program costs                 | -                   | 6,079               | 4,624               | 9,824             | 251                        | 20,778              | 514                        | -                 | 21,292               |
| Other expense                 | 3,938               | 1,876               | 44,267              | 23,252            | 5,948                      | 79,281              | 42,497                     | 5,552             | 127,330              |
| Interest and bank fees        | 261,204             | 20,338              | 2,502               | 2,502             | -                          | 286,546             | 117,861                    | 7,562             | 411,969              |
| Depreciation and amortization | 168,826             | 14,134              | 15,797              | 25,506            | 9,304                      | 233,567             | 80,723                     | -                 | 314,290              |
|                               | <u>\$ 5,843,992</u> | <u>\$ 1,183,778</u> | <u>\$ 1,457,817</u> | <u>\$ 294,559</u> | <u>\$ 1,007,150</u>        | <u>\$ 9,787,296</u> | <u>\$ 1,864,432</u>        | <u>\$ 139,773</u> | <u>\$ 11,791,501</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         |
| Benefits and taxes            | 313,739             | 29,503              | 77,445              | 16,349            | 111,784                    | 548,820              | 44,919                     | 26,777            | 620,516              |
|                               | 1,940,762           | 152,142             | 644,530             | 87,932            | 714,929                    | 3,540,295            | 743,472                    | 134,608           | 4,418,375            |
| 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            |
| 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              |
| Insurance                     | 59,344              | 14,595              | 13,358              | 8,040             | 17,374                     | 112,711              | 21,355                     | 2,280             | 136,346              |
| 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               |
| Program costs                 | -                   | 120                 | 64,508              | 19,265            | 1,465                      | 85,358               | -                          | -                 | 85,358               |
| 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               |
| Other expense                 | 2,253               | 1,876               | 40,473              | 18,856            | 2,520                      | 65,978               | 97,137                     | 5,510             | 168,625              |
| 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              |
|                               | <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**

Statements of Cash Flows

Years Ended September 30, 2023 and 2022

|  | <u>2023</u>         | <u>2022</u>         |
|--|---------------------|---------------------|
| Cash flows from operating activities:  |                     |                     |
| Decrease in net assets   | \$ (1,281,929)      | \$ (130,212)        |
| Adjustments to reconcile the decrease in net<br>assets to net cash (used in) provided by operating activities: |                     |                     |
| Depreciation and amortization  | 314,290             | 263,731             |
| Loss on disposal of property and equipment   | 5,282               | -                   |
| Net realized and unrealized (gain) on investments  | (68,355)            | -                   |
| Noncash lease recovery   | (1,810)             | -                   |
| Bad debt expense   | 5,000               | -                   |
| Changes in operating assets and liabilities:   |                     |                     |
| Accounts receivable  | 38,543              | 299,692             |
| Pledges receivable, net  | (2,150)             | 99,000              |
| Inventories  | 6,212               | (3,494)             |
| Prepaid expenses and other assets  | 28,148              | (4,664)             |
| Deferred rental income, net  | (50,712)            | (56,881)            |
| Accounts payable   | (32,714)            | (2,651)             |
| Accrued expenses   | 9,997               | 184,653             |
| Deferred revenue   | 92,434              | (156,360)           |
| Other long-term liabilities  | (53,099)            | 9,869               |
| Net cash (used in) provided by operating activities  | <u>(990,863)</u>    | <u>502,683</u>      |
| Cash flows from investing activities:  |                     |                     |
| Purchase of property and equipment   | (65,955)            | (297,150)           |
| Purchase of marketable securities  | (2,691,952)         | -                   |
| Proceeds from sale of marketable securities  | 190,335             | -                   |
| Net cash used in investing activities  | <u>(2,567,572)</u>  | <u>(297,150)</u>    |
| Cash flows from financing activity:  |                     |                     |
| Repayments on long-term debt   | <u>(284,414)</u>    | <u>(281,092)</u>    |
| Net cash used in financing activity  | <u>(284,414)</u>    | <u>(281,092)</u>    |
| Net decrease in cash   | (3,842,849)         | (75,559)            |
| Cash, beginning of year  | 5,629,393           | 5,704,952           |
| Cash, end of year  | <u>\$ 1,786,544</u> | <u>\$ 5,629,393</u> |
| Supplemental disclosure of noncash operating activities:   |                     |                     |
| ROU assets obtained in exchange for lease obligations  | <u>\$ 104,958</u>   | <u>\$ -</u>         |
| Supplemental disclosure:   |                     |                     |
| Cash paid for interest   | <u>\$ 319,189</u>   | <u>\$ 388,557</u>   |

See accompanying notes to the financial statements.

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

## Notes to Financial Statements

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### **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 47 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.

#### **Basis of Presentation and Going Concern**

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) assuming the Organization will continue as a going concern. During the fiscal years ending September 30, 2023 and 2022, the Organization experienced decreases in its thrift store sales and reductions in philanthropy and governmental funding, resulting in net operating losses and negative cash outflows for both fiscal years. The Organization has also projected negative cash flows in future years, has bank debt maturing in the next twelve months, and did not meet required debt covenants (see Note 8). These conditions raise substantial doubt about the Organization's ability to continue as a going concern.

In response to these conditions, the Organization's board of directors has approved a plan to restructure and fund future operations. This plan includes selling property and investments to extinguish \$4,100,000 of debt (see Note 14), refinancing \$2,400,000 of maturing debt, and restructuring operations to grow revenues, decrease expenses, and decrease cash required to service debt. The Organization projects this restructuring plan to be completed during the next twelve months. As a result, the Organization has concluded that management's plans are probable of being achieved to alleviate substantial doubt about the Organization's ability to continue as a going concern. The financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Organization were unable to continue as a going concern.

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

## Notes to Financial Statements

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### **1. Organization and Significant Accounting Policies, continued**

#### ***Net Assets***

The financial statements report net assets, revenues, gains, and losses 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.

#### ***Revenue Recognition***

The Organization receives funding from various sources as described below.

#### ***Contributions***

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).

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.

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

### Notes to Financial Statements

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#### **1. Organization and Significant Accounting Policies, continued**

##### ***Revenue Recognition, continued***

###### *In-kind Contributions*

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 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 three organizations (86%) during the year ended September 30, 2023 and two organizations (93%) during the year ended September 30, 2022. One of the Organizations is a federal agency and contributed 27% and 28% during the years ended September 30, 2023 and 2022, respectively. Contributed in-kind contributions did not have donor-imposed restrictions.

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 12,000 and 9,000 volunteer hours were contributed during the years ended September 30, 2023 and 2022, respectively. The COVID pandemic affected the volunteer hours significantly in fiscal year ending September 30, 2022. 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.

As of September 30, 2023, the Organization recognized conditional contributions of \$1,476,768 and had conditional grants outstanding of \$1,705,120. For the year ending September 30, 2023, three funders (King County, Washington; the City of Seattle, Washington; and the City of Renton, Washington) represented 82% of the conditional contributions. For the year ending September 30, 2022, revenue from two funders (King County, Washington and the City of Seattle, Washington) represented 86% of the conditional contributions. As of September 30, 2023, 39% of the accounts receivable balance were due from King County, Washington and the City of Renton. As of September 30, 2022, 60% of the accounts receivable balance were due from King County, Washington and the City of Seattle.

###### *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.

**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**

Significant balances associated with revenue for the Organization are as follows as of and for the years ended September 30, 2023 and 2022:

|   | September 30, |               |
|---|---------------|---------------|
|   | 2023          | 2022          |
| Accounts Receivable:                    |               |               |
| Contributions receivable                | \$ 125,092    | \$ 214,079    |
| Conferences                             | 43,400        | 36,751        |
| Pledges receivable                      | 3,150         | 6,000         |
| Exchange receivable                     | 32,763        | 3,278         |
| Other receivables                       | 17,382        | 6,222         |
|   | \$ 221,787    | \$ 266,330    |
| Exchange Transactions:                  |               |               |
| Store sales                             | \$ 2,956,498  | \$ 2,978,943  |
| Fees for services                       | 234,142       | 168,843       |
| Trade                                   | 63,466        | 74,120        |
| Other                                   | 10,698        | -             |
|   | 3,264,804     | 3,221,906     |
| Contribution Transactions:              |               |               |
| In-kind                                 | 3,600,276     | 3,705,766     |
| Government                              | 1,476,768     | 2,101,576     |
| Foundations and religious organizations | 127,225       | 412,076       |
| Contributions from the community        | 1,000,629     | 1,386,405     |
|   | 6,204,898     | 7,605,823     |
| Other Revenue:                          |               |               |
| Rental income                           | 1,086,513     | 1,133,404     |
| Investment (loss) income                | (33,927)      | 4,357         |
|   | 1,052,586     | 1,137,761     |
| Total Revenue                           | \$ 10,522,288 | \$ 11,965,490 |

Accounts receivable totaled \$550,670 as of October 1, 2021.

***Related Party Receivables***

The Organization serves as fiscal agent for 47 Conferences. The Conferences purchase goods and gift cards from the Organization for distribution to persons in need in their parish area.

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

### Notes to Financial Statements

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#### **1. Organization and Significant Accounting Policies, continued**

##### ***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 based on square footage, store sales, or program expense ratio. 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.

##### ***Marketable Securities***

The Organization classifies its marketable securities as "available-for-sale" and reports them at fair value. Both realized and unrealized gains and losses on marketable securities are reported in the change in net assets. Available-for-sale securities include money market accounts, mutual funds, common and preferred stocks, and pooled investment funds. Available-for-sale securities are reviewed periodically and assessed for impairment.

The Organization's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the Organization's investments will occur in the near term and that such changes could materially affect the amounts as reported in the financial statements.

##### ***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, was due within one year and fully collectible. The Organization considers the pledges receivable of \$8,150 at September 30, 2023, due from three donors, not to be fully collectible; accordingly, the Organization recorded an allowance of \$5,000 for doubtful pledges.

##### ***Inventories***

Inventories are stated at fair value, which is based on the estimated sales value at the date of donation.

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

### Notes to Financial Statements

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#### **1. Organization and Significant Accounting Policies, continued**

##### ***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, 2023 and 2022.

##### ***Deferred Revenue***

The Organization receives funding for various programs in excess of what is spent or earned and in anticipation of services to be rendered. These amounts are recorded as deferred revenue in the statement of financial position.

##### ***Advertising Costs***

Advertising costs are expensed as incurred and are not material as a percentage of total costs.

##### ***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, 2023 and 2022, the Organization recorded \$5,000 and \$15,330 of federal taxes due which is included in taxes and fees in the accompanying statement of functional expenses.

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, 2023 and 2022, 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 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. Effective October 1, 2021, the Plan was amended to allow the Organization to make matching discretionary contributions in addition to employee contributions. The Organization made matching contributions totaling \$19,781 and \$6,406 during the years ended September 30, 2023 and 2022, respectively.



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

### Notes to Financial Statements

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#### **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.

##### ***Change in Accounting Policy***

Effective October 1, 2022, the Organization adopted the requirements of Accounting Standards Update (ASU) No. 2016-02, Leases (ASC Topic 842). The Organization elected the package of optional practical expedients permitted in ASC Topic 842. By adopting these practical expedients, the Organization is not required to reassess the following lease characteristics: (a) whether an expired or existing contract contains a lease, (b) the lease classification for expired or existing leases, or (c) any initial direct costs for existing leases that were initially capitalized. Additionally, the Organization elected the practical expedient to use hindsight in determining the lease term and in assessing impairment of right-of-use (ROU) assets. The Organization has made an accounting policy election to apply a risk-free rate as the discount rate used to measure lease liabilities and ROU assets at commencement of a lease. A risk-free rate has been applied to the operating leases. The Organization elected to use the modified retrospective method of transition for all leases that exist at the date of application, resulting in the addition of \$104,958 of ROU assets and liabilities as of the application date.

The Organization determines whether an arrangement is a lease at the inception of the arrangement based upon the terms and conditions in the contract. A contract is determined to contain a lease if there is an identified asset and the Organization determines that it has the right to control the asset. When the right to use an underlying asset is identified, the Organization recognizes an operating or finance ROU asset and lease liability in the statement of financial position based upon the evaluation of the terms. Leases with initial terms of 12 months or less are not recognized in the statement of financial position, and the associated costs are recognized straight-line over the lease term. The Organization currently does not have any leasing arrangements that are classified as finance-type leases.

The ROU assets and lease liabilities represent the present value of the Organization's right to use the underlying asset and lease obligation in the contract, respectively. The Organization's operating leases require fixed lease payments, or minimum payments, as contractually stated in the lease agreement. Lease expense relating to fixed payments is recognized on a straight-line basis over the lease term, and lease expense related to variable payments is expensed as incurred.

##### ***Reclassifications***

Certain balances and amounts in the 2022 financial statements have been reclassified for comparative purposes to conform to the presentation of the 2023 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.

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

### Notes to Financial Statements

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#### **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 \$67,424 and \$82,125 at September 30, 2023 and 2022, 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 within the statements of financial position. Any potential claims that may exist cannot be reasonably estimated at September 30, 2023 and 2022; therefore, no accrual has been recorded within the statements of financial position.

#### **4. Marketable Securities and Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under the Financial Accounting Standards Board Accounting Standards Codification 820 are described as follows:

- Level 1: Inputs to the valuation methodology are (unadjusted) quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
- Pooled investment trust: Valued using bid valuations from similar instruments in actively quoted markets.

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

Notes to Financial Statements

**4. Marketable Securities and Fair Value Measurements, continued**

The following table sets forth by level, within the fair value hierarchy, the fair value of marketable securities at September 30, 2023. There were no marketable securities held at September 30, 2022.

|   | Assets at Fair Value as of September 30, 2023 |                   |             |                     |
|---|---|-------------------|-------------|---------------------|
|   | Level 1                                       | Level 2           | Level 3     | Total               |
| Cash                                    | \$ 16,355                                     | \$ -              | \$ -        | \$ 16,355           |
| Mutual funds:                           |   |                   |             |                     |
| Fixed income government                 | 726,583                                       | -                 | -           | 726,583             |
| Fixed income mortgage securities        | 325,780                                       | -                 | -           | 325,780             |
| Fixed income investment grade           | 959,717                                       | -                 | -           | 959,717             |
| Fixed income domestic and international | 353,400                                       | -                 | -           | 353,400             |
| Pooled investment trust                 | -   | 188,137           | -           | 188,137             |
|   | <u>\$ 2,381,835</u>                           | <u>\$ 188,137</u> | <u>\$ -</u> | <u>\$ 2,569,972</u> |

**5. Inventories**

Inventories consist of the following:

|                    | September 30,     |                   |
|--------------------|-------------------|-------------------|
|                    | 2023              | 2022              |
| Donated goods:     |                   |                   |
| Thrift merchandise | \$ 440,709        | \$ 472,296        |
| Food bank          | 43,640            | 15,040            |
| Other              | 231               | 1,035             |
| Purchased goods    | 37,475            | 39,896            |
|                    | <u>\$ 522,055</u> | <u>\$ 528,267</u> |

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

### Notes to Financial Statements

#### **6. Property and Equipment, Net**

Property and equipment, net consist of the following:

|  | September 30,        |                      |
|--|----------------------|----------------------|
|  | 2023                 | 2022                 |
| Buildings and improvements                     | \$ 8,668,472         | \$ 8,683,619         |
| Office furniture and equipment                 | 1,143,346            | 1,149,405            |
| Trucks and other operating equipment           | 100,540              | 100,540              |
|  | <u>9,912,358</u>     | <u>9,933,564</u>     |
| Less accumulated depreciation and amortization | 6,154,403            | 6,016,937            |
|  | 3,757,955            | 3,916,627            |
| Land   | 7,596,195            | 7,596,195            |
| Construction in progress                       | -                    | 71,986               |
|  | <u>\$ 11,354,150</u> | <u>\$ 11,584,808</u> |

#### **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, 2023 are:

|  |                     |
|--|---------------------|
| Financial assets:  |                     |
| Cash   | \$ 1,786,544        |
| Investments  | 2,569,972           |
| Accounts receivable  | 221,787             |
| Pledges receivable   | 3,150               |
| Total financial assets   | <u>4,581,453</u>    |
| Less: Financial assets held to meet donor-imposed restrictions and board designations: |                     |
| Board designated net assets  | (231,679)           |
| Purpose-restricted net assets  | (307,511)           |
| Amount available for general expenditures within one year                              | <u>\$ 4,042,263</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.

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

### Notes to Financial Statements

#### 7. Liquidity and Availability, continued

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.

#### 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.

| Lender        | Collateral               | Original Note | Interest Rate | Maturity Date                    | September 30,       |                     |
|---------------|--------------------------|---------------|---------------|----------------------------------|---------------------|---------------------|
|               |                          |               |               |                                  | 2023                | 2022                |
| Umpqua Bank   | Kent property            | \$ 1,950,000  | 4.40%         | June 25, 2024                    | \$ 1,469,375        | \$ 1,548,399        |
| Umpqua Bank   | Renton property          | \$ 1,201,344  | 4.40%         | June 25, 2024                    | 905,244             | 953,927             |
| Umpqua Bank   | Georgetown property      | \$ 1,500,000  | 4.40%         | December 30, 2024                | 1,162,769           | 1,217,583           |
| Umpqua Bank   | Kenmore property         | \$ 1,425,000  | 4.40%         | December 30, 2024                | 1,104,631           | 1,156,703           |
| Umpqua Bank   | Aurora property addition | \$ 612,500    | 4.40%         | January 10, 2025                 | 476,543             | 497,318             |
| Private trust | Aurora property          | \$ 1,917,600  | 6.00%         | December 10, 2027                | 1,393,305           | 1,422,352           |
|               |                          |               |               |                                  | 6,511,867           | 6,796,282           |
|               |                          |               |               | Less current portion             | 5,149,166           | 286,232             |
|               |                          |               |               | Less unamortized financing costs | 2,956               | 25,916              |
|               |                          |               |               |                                  | <u>\$ 1,359,745</u> | <u>\$ 6,484,134</u> |

In August 2022, the Organization renegotiated its bank mortgages to lower the interest rate paid for all commercial bank mortgages changing the rates to 4.40% from rates ranging from 4.74% to 5.74%. Maturity dates were unchanged. Notes with the commercial bank include certain financial covenants. The Organization was not in compliance with these covenants at September 30, 2023; accordingly, all bank debt was reclassified as current as of September 30, 2023. As described in Note 1, the Organization intends to sell assets to support restructuring debts to return to debt covenant compliance. In February 2024, the Organization extended two loans maturing on March 27, 2024 by 90 days to allow for expected time to restructure the debt and the revised maturity date is included in the table above. The interest rate remains unchanged during the extension period.

Scheduled maturities of long-term debt are as follows:

| Year ending<br>September 30, | Total               |
|------------------------------|---------------------|
| 2024                         | \$ 5,149,166        |
| 2025                         | 32,725              |
| 2026                         | 34,743              |
| 2027                         | 36,886              |
| 2028                         | 1,258,347           |
|                              | <u>\$ 6,511,867</u> |

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

### Notes to Financial Statements

#### **9. Leases**

The Organization leases equipment under various noncancellable agreements expiring through January 2027. The leases stipulate payments for operating expenses, considered variable lease payments, which are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

Rent expense for all operating leases during the year ended September 30, 2023 includes fixed lease costs of \$34,621 and variable lease costs of \$2,028. Rent expense for all operating leases during the year ended September 30, 2022 included costs of \$55,557.

During the year ended September 30, 2023, the Organization's cash paid for amounts included in the measurement of operating lease liabilities totaled \$33,179. The weighted-average remaining lease term totaled 2.44 years, and the weighted-average discount rate was 1.62%.

The maturities of operating lease obligations as of September 30, 2023, are as follows:

| <u>Year</u>                       |                  |
|-----------------------------------|------------------|
| 2024                              | \$ 35,427        |
| 2025                              | 22,996           |
| 2026                              | 10,996           |
| 2027                              | <u>2,736</u>     |
| Total undiscounted lease payments | 72,155           |
| Less: present value discount      | <u>(2,186)</u>   |
| Total lease obligations           | <u>\$ 69,969</u> |

#### **10. Special Events**

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

|                 | <u>2023</u>       | <u>2022</u>       |
|-----------------|-------------------|-------------------|
| Gross Revenues  | <u>\$ 198,925</u> | <u>\$ 328,008</u> |
| Direct Expenses | <u>\$ 18,949</u>  | <u>\$ 54,589</u>  |

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

Notes to Financial Statements

**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, 2023 approximated \$3,310,000 and \$1,207,000, respectively.

Minimum lease rentals to be received are as follows:

| Year ending<br>September 30, |                      |
|------------------------------|----------------------|
| 2024                         | \$ 1,001,232         |
| 2025                         | 1,007,652            |
| 2026                         | 1,014,199            |
| 2027                         | 1,020,878            |
| 2028                         | 1,027,690            |
| Thereafter                   | <u>52,846,939</u>    |
|                              | <u>\$ 57,918,590</u> |

**12. Designated Net Assets**

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

|                                       | <u>2023</u>       | <u>2022</u>       |
|---------------------------------------|-------------------|-------------------|
| Direct assistance                     | \$ 211,842        | \$ -              |
| Direct assistance through conferences | 15,837            | 145,056           |
| Conference technology support         | 4,000             | 14,500            |
|                                       | <u>\$ 231,679</u> | <u>\$ 159,556</u> |

The Organization expended board designated funds during the years ended September 30, as follows:

|                                       | <u>2023</u>       | <u>2022</u>       |
|---------------------------------------|-------------------|-------------------|
| Direct assistance through conferences | \$ 129,219        | \$ 500,000        |
| Conference technology support         | 10,500            | 14,500            |
|                                       | <u>\$ 139,719</u> | <u>\$ 514,500</u> |

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

### Notes to Financial Statements

#### **13. Net Assets with Donor Restrictions**

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

|                                     | <u>2023</u>       | <u>2022</u>       |
|-------------------------------------|-------------------|-------------------|
| Case management                     | \$ 151,247        | \$ 290,711        |
| Support for immigrants and veterans | 145,887           | 139,907           |
| Centro Rendu                        | 6,500             | -                 |
| Time restricted pledges             | 3,150             | -                 |
| Capacity building                   | 727               | 95,750            |
|                                     | <u>\$ 307,511</u> | <u>\$ 526,368</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>2023</u>       | <u>2022</u>       |
|-------------------------------------|-------------------|-------------------|
| Case management                     | \$ 151,937        | \$ 407,218        |
| Capacity building                   | 95,750            | 51,250            |
| Conferences                         | 89,243            | 168,737           |
| Youth and education                 | 52,340            | -                 |
| Release of time restricted pledges  | 50,000            | -                 |
| Support for immigrants and veterans | 34,183            | 44,132            |
| Food and clothing                   | 22,592            | 21,883            |
|                                     | <u>\$ 496,045</u> | <u>\$ 693,220</u> |

#### **14. Subsequent Events and Contingencies**

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.

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, 2023 and 2022.

On December 21, 2023, the Organization signed an agreement to list one of its properties in Seattle for sale, known as the Aurora property. The property is vacant. There will be no future revenue impacts, and the Organization is selling the property to reposition its property portfolio and reduce operating and financing expenses (see Note 1). The property is under contract for sale for \$2,300,000, which is expected to close on April 25, 2024. Proceeds from the sale will extinguish debt collateralized by the building and any residual will be applied to other current debt.



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

Notes to Financial Statements

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***14. Subsequent Events and Contingencies, continued***

On March 8, 2024, the Organization signed an agreement to list for sale its property in Burien. Future thrift store sales and related store operating expenses will be impacted. The Organization is selling the property to reposition its operations and extinguish debt coming due within twelve months of the financial statement date (see Note 1).

No other subsequent events were identified through April 18, 2024, the date the financial statements were available to be issued.