

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY**

**FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT  
PUBLIC ACCOUNTING FIRM**

**September 30, 2018 and 2017**

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY**

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

The Board of Directors of  
Society of St. Vincent DePaul,  
Council of Northern Kentucky  
Erlanger, KY 41017

We have audited the accompanying financial statements of the Society of St. Vincent DePaul, Council of Northern Kentucky (a nonprofit organization) which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society of St. Vincent DePaul, Council of Northern Kentucky as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Covington, KY  
January 3, 2019

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2018 and 2017**

<b>ASSETS</b>		
	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 102,106	\$ 59,451
Investments	467,079	470,688
Accrued investment income	5,906	4,534
Prepays and other	6,292	6,292
<b>Total Current Assets</b>	<b>581,383</b>	<b>540,965</b>
Land, buildings and equipment	1,197,540	1,193,295
Accumulated depreciation	(875,034)	(809,956)
<b>Net Property and Equipment</b>	<b>322,506</b>	<b>383,339</b>
<b>Total Assets</b>	<b>\$ 903,889</b>	<b>\$ 924,304</b>

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2018 and 2017**

**LIABILITIES AND NET ASSETS**

	<b>2018</b>	<b>2017</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 29,424	\$ 26,676
Accrued payroll liabilities	18,530	12,968
Accrued sales tax	8,245	8,214
Accrued relief programs payable	9,687	10,512
<b>Total Current Liabilities</b>	<b>65,886</b>	<b>58,370</b>
 <b>Net Assets</b>		
Unrestricted	766,313	816,189
Temporarily restricted	71,690	49,745
<b>Total Net Assets</b>	<b>838,003</b>	<b>865,934</b>
 <b>Total Liabilities and Net Assets</b>	<b>\$ 903,889</b>	<b>\$ 924,304</b>

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
STATEMENTS OF ACTIVITIES**

**Year Ended September 30, 2018 (with Totals for Year Ended September 30, 2017)**

	<u>Unrestricted 2018</u>	<u>Temporarily Restricted 2018</u>	<u>Total 2018</u>	<u>Total 2017</u>
<b>Revenues and Support</b>				
Sales of donated items	\$ 2,120,902	\$ -	\$ 2,120,902	\$ 1,904,957
Grants				
Distribution support	160,476	22,449	182,925	139,502
Investment income	33,912	-	33,912	40,216
Net assets released from donor restrictions	504	(504)	-	-
<b>Total revenues and support</b>	<u>2,315,794</u>	<u>21,945</u>	<u>2,337,739</u>	<u>2,084,675</u>
<b>Expenses</b>				
Programs	2,049,031	-	2,049,031	2,037,609
Management and general	161,576	-	161,576	180,578
Fundraising	155,063	-	155,063	156,197
<b>Total expenses</b>	<u>2,365,670</u>	<u>-</u>	<u>2,365,670</u>	<u>2,374,384</u>
<b>Increase (decrease) in net assets</b>	(49,876)	21,945	(27,931)	(289,709)
<b>Net assets - beginning of year</b>	<u>816,189</u>	<u>49,745</u>	<u>865,934</u>	<u>1,155,643</u>
<b>Net assets - end of year</b>	<u>\$ 766,313</u>	<u>\$ 71,690</u>	<u>\$ 838,003</u>	<u>\$ 865,934</u>

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2017**

	<b>Unrestricted 2017</b>	<b>Temporarily Restricted 2017</b>	<b>Total 2017</b>
<b>Revenues and Support</b>			
Sales of donated items	\$ 1,904,957	\$ -	\$ 1,904,957
Grants			
Distribution support	126,651	12,851	139,502
Investment income	40,216	-	40,216
Net assets released from donor restrictions	2,483	(2,483)	-
	<b>2,074,307</b>	<b>10,368</b>	<b>2,084,675</b>
<b>Expenses</b>			
Programs	2,037,609	-	2,037,609
Management and general	180,578	-	180,578
Fundraising	156,197	-	156,197
	<b>2,374,384</b>	<b>-</b>	<b>2,374,384</b>
<b>Increase (decrease) in net assets</b>	(300,077)	10,368	(289,709)
<b>Net assets - beginning of year</b>	1,116,266	39,377	1,155,643
<b>Net assets - end of year</b>	\$ 816,189	\$ 49,745	\$ 865,934

See accompanying notes.



**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2018 (with Totals for Year Ended September 30, 2017)**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2018</u>	<u>Total 2017</u>
Salaries and wages	\$ 1,159,798	\$ 73,890	\$ 62,563	\$ 1,296,251	\$ 1,321,165
Payroll taxes	84,098	5,358	4,536	93,992	97,132
Employee insurance, training and benefits	185,472	10,304	10,304	206,080	222,840
Direct program and fundraising expenses	182,524	-	12,692	195,216	178,359
Depreciation	58,570	3,254	3,254	65,078	67,640
Business insurance	33,938	1,885	1,885	37,708	37,674
Utilities	46,141	2,563	2,563	51,267	44,474
Telephone	33,507	1,862	1,862	37,231	50,203
Truck expenses and repairs	28,955	1,609	1,609	32,173	29,717
Supplies	24,469	1,088	1,088	26,645	32,592
Rent	93,637	1,911	-	95,548	96,503
Facility maintenance	105,757	5,875	5,875	117,507	87,104
Legal and accounting	-	15,285	-	15,285	24,094
Bank charges and fees	-	20,568	3,922	24,490	22,517
All other operating expenses	12,165	16,124	42,910	71,199	62,370
<b>Total expenses</b>	<u>\$ 2,049,031</u>	<u>\$ 161,576</u>	<u>\$ 155,063</u>	<u>\$ 2,365,670</u>	<u>\$ 2,374,384</u>

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2017**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2017</u>
Salaries and wages	\$ 1,156,097	\$ 86,590	\$ 78,478	\$ 1,321,165
Payroll taxes	84,996	6,366	5,770	97,132
Employee insurance, training and benefits	200,556	11,142	11,142	222,840
Direct program and fundraising expenses	173,686	-	4,673	178,359
Depreciation	60,876	3,382	3,382	67,640
Business insurance	33,906	1,884	1,884	37,674
Utilities	40,026	2,224	2,224	44,474
Telephone	45,183	2,510	2,510	50,203
Truck expenses and repairs	26,745	1,486	1,486	29,717
Supplies	30,080	1,256	1,256	32,592
Rent	94,573	1,930	-	96,503
Facility maintenance	78,394	4,355	4,355	87,104
Legal and accounting	-	24,094	-	24,094
Bank charges and fees	-	18,347	4,170	22,517
All other operating expenses	12,491	15,012	34,867	62,370
<b>Total expenses</b>	<u>\$ 2,037,609</u>	<u>\$ 180,578</u>	<u>\$ 156,197</u>	<u>\$ 2,374,384</u>

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
STATEMENTS OF CASH FLOWS**

**Years Ended September 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$ (27,931)	\$ (289,709)
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Gain) loss on sale of investments	(16,671)	4,050
Unrealized loss (gain) on investments	2,078	(25,208)
Depreciation	65,078	67,640
Changes in assets and liabilities		
(Increase) decrease in :		
Accrued investment income	(1,372)	(167)
Increase (decrease) in:		
Accounts payable	2,748	3,183
Accrued liabilities	4,768	(19)
	<b>28,699</b>	<b>(240,229)</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(189,905)	(73,612)
Proceeds from sales of investments	208,107	44,581
Purchases of property and equipment	(4,245)	(16,038)
	<b>13,957</b>	<b>(45,069)</b>
<b>Net change in cash and cash equivalents</b>	<b>42,655</b>	<b>(285,298)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>59,451</b>	<b>344,749</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 102,106</b>	<b>\$ 59,451</b>

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Society of St. Vincent DePaul, Council of Northern Kentucky (Organization), originally known as St. Vincent DePaul Salvage Bureau, was incorporated in November 1954 for the purpose of providing support for all member conferences in the Diocesan Council (Council). The Council provides direct financial support to its member conferences and redeems clothing, furniture and houseware vouchers issued by those conferences in their mission of assisting those in need in our community. The organization has outlet stores in Erlanger, Falmouth, Florence and Newport (closed in June 2018), Kentucky.

**Basis of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and these principles have been consistently applied in the preparation of the financial statements.

**New Accounting Pronouncements**

*Not-for-Profit Entities*

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" ("ASU 2016-14"). ASU 2016-14 amends presentation requirements for net assets and the changes to net assets from three classes to two: net assets with donor restrictions and net assets without donor restrictions. This update also provides enhanced disclosures. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Company is evaluating the impact of this guidance on its financial statements and plans to adopt the standard in fiscal year 2019.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts during the reporting period and at the date of the financial statement. Actual results could differ from these estimates.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The Organization's change in net assets from unrealized gain (loss) on marketable securities was \$(2,078) and \$25,208 for the years ending September 30, 2018 and 2017, respectively. These effects are included in changes in unrestricted net assets, because the gains and losses are unrestricted. Accrued interest income was \$5,906 and \$4,534 at September 30, 2018 and 2017, respectively.

**Contributed Services**

During the years ended September 30, 2018, and 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the operations office, but these services do not meet the criteria for recognition as contributed services. The Organization received more than 29,000 (unaudited) and 39,000 (unaudited) volunteer hours for the years ending September 30, 2018 and 2017, respectively.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Inventories**

The Organization does not record donated inventory as an asset since the market value is not readily determinable.

**Property and Equipment**

Property, plant and equipment are recorded at original cost. Depreciation is claimed on straight-line and double declining methods over the estimated useful life of assets that range from three to forty years. Repairs and maintenance items that do not extend the useful life of the asset are expensed as incurred. The Organization's policy is to capitalize assets purchased at a cost of \$1,000 or greater. Donations of property and equipment are recorded as support at their estimated fair value.

**Income Taxes**

The Organization is exempt from federal and state income taxes under the provisions of IRC 501 (c)(3).

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Compensated Absences**

Employees are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. It is the Organization's policy to recognize the cost of compensated absences when actually paid.

**Restricted and Unrestricted Support and Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions, see Note 12 for further details.

As of September 30, 2018 and 2017, there are no permanently restricted net assets.

**Reclassifications**

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

**NOTE 2 – FAIR VALUE MEASUREMENTS**

GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are 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 measurements) and the lowest priority to unobservable inputs (Level 3) described below:

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 2 – FAIR VALUE MEASUREMENTS (CONT'D)**

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy:

*Mutual funds and exchange traded funds:* Level 1 securities valued at the net asset value (NAV) of shares held by the Organization at year end.

*Corporate bonds and Bond funds:* Level 2 securities include corporate debt securities. The fair value measurement is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data. The fair value measurement of a Level 3 security is based on a discounted cash flow model that incorporates assumptions market participants would use to measure the fair value of the security.

The following table provides information by level for assets and liabilities that are measured at fair value, on a recurring basis at September 30, 2018 and 2017, respectively:

<b>September 30, 2018</b>	<b><i>Fair Value Measurements Using Inputs Considered As</i></b>			
<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Assets (Investments):</i>				
Exchange Traded Funds	\$ 228,446	\$ -	\$ -	\$ 228,446
Corporate Bonds	-	238,633	-	238,633
<b>Total Assets (Investments):</b>	<b>\$ 228,446</b>	<b>\$ 238,633</b>	<b>\$ -</b>	<b>\$ 467,079</b>

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 2 – FAIR VALUE MEASUREMENTS (CONT'D)**

September 30, 2017	<i>Fair Value Measurements Using Inputs Considered As</i>			
Description	Level 1	Level 2	Level 3	Total
<i>Assets (Investments):</i>				
Exchange Traded Funds	\$ 223,704	\$ -	\$ -	\$ 223,704
Bond Funds	-	246,984	-	246,984
Total Assets (Investments):	\$ 223,704	\$ 246,984	\$ -	\$ 470,688

Level 1 securities include securities valued at quoted market prices in active markets. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and would generally be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity and less transparency around inputs to valuation, securities are classified within Level 3 of the hierarchy. There were no transfers between Level 1, Level 2 or Level 3 investments for the year ended September 30, 2018 and 2017.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOTE 3 – INVESTMENTS**

Investments are comprised of the following at September 30:

<u>2018</u>	<u>Amortized cost</u>	<u>Unrecognized holding gains</u>	<u>losses</u>	<u>Estimated fair value</u>
Exchange traded funds	\$ 172,480	\$ 56,573	\$ (607)	\$ 228,446
Corporate bond funds	<u>241,574</u>	<u>-</u>	<u>(2,941)</u>	<u>238,633</u>
Total investments	<u>\$ 414,054</u>	<u>\$ 56,573</u>	<u>\$ (3,548)</u>	<u>\$ 467,079</u>



**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 3 – INVESTMENTS (CONT'D)**

<u>2017</u>	<u>Amortized cost</u>	<u>Unrecognized holding gains</u>	<u>losses</u>	<u>Estimated fair value</u>
Exchange traded funds	\$ 169,785	\$ 55,775	\$ (1,856)	\$ 223,704
Corporate bond funds	<u>245,800</u>	<u>1,830</u>	<u>(646)</u>	<u>246,984</u>
Total investments	<u>\$ 415,585</u>	<u>\$ 57,605</u>	<u>\$ (2,502)</u>	<u>\$ 470,688</u>

Investment income is comprised of the following:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 19,319	\$ 19,058
Realized and unrealized gain	<u>14,593</u>	<u>21,158</u>
Gross investment income	33,912	40,216
Less investment expenses	<u>3,922</u>	<u>4,170</u>
Net investment income	<u>\$ 29,990</u>	<u>\$ 36,046</u>

The cost of securities sold is based on the specific identification method and the realized gain or loss is determined and recognized at the trade date of the sale. Interest and dividend income is accrued through the date of the financial statements and includes the amortization of premium and accretion of discount on bonds. Interest income is recognized when earned while dividends are recognized when declared.

Management regularly reviews its investment portfolio to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. A number of criteria are considered during this process including, but not limited to, the current fair value as compared to amortized cost or cost, the length of time the security has been below amortized cost or cost, and by how much, specific credit issues and future prospects relating to the issuer, and current economic conditions.

Other-than-temporary impairment losses result in a permanent reduction of the cost basis of the underlying investment. Impairment losses recognized for declines in the fair value of invested assets judged to be other-than-temporary are included in investment income. Management has not recognized any other-than-temporary declines during the years ended September 30, 2018 and 2017.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 3 – INVESTMENTS (CONT'D)**

The Organization invests in various marketable securities, exchange traded funds and corporate bonds. These securities are exposed to various risks such as interest rate changes, market and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect total unrestricted net assets and change in unrestricted net assets.

**NOTE 4 - INCOME TAXES**

The Organization is not aware of any tax positions that require recording of unrecognized tax liabilities along with related interest or penalties as of September 30, 2018. The Organization's policy with regard to interest or penalties on such benefits is to record them as part of tax expense. Currently, the 2014, 2015, 2016 and 2017 tax years are open and remain subject to examination by the Internal Revenue Service as of September 30, 2018.

**NOTE 5 - ADVERTISING**

The Organization expenses all advertising and promotional costs when incurred.

**NOTE 6 – PROPERTY AND EQUIPMENT**

The Organization has computed depreciation on fixed assets using both straight-line and accelerated methods over the estimated useful lives of the respective assets. Property and equipment as of September 30 is summarized below:

	<u>2018</u>	<u>2017</u>
Land	\$ 66,764	\$ 66,764
Building	259,845	259,845
Building improvements	363,488	363,488
Furniture and fixtures	133,109	128,864
Transportation equipment	306,968	306,968
Machinery and equipment	<u>67,366</u>	<u>67,366</u>
Total at cost	1,197,540	1,193,295
Less: Accumulated depreciation	<u>(875,034)</u>	<u>(809,956)</u>
Property and equipment, net	\$ <u><u>322,506</u></u>	\$ <u><u>383,339</u></u>

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 7 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash in excess of FDIC limitations. The Organization maintains cash balances at several financial institutions located in Kentucky. Accounts at each institution are insured by the Federal Deposit Insurance Company up to \$250,000. At September 30, 2018 and 2017, the Organization had no uninsured cash balances.

Financial instruments that are held at brokerage firms are insured by the Securities Investor Protection Corporation (SIPC). From time to time, in the normal course of business, the Organization maintains deposits in excess of the SIPC insurance limits.

The Organization operates exclusively within the Northern Kentucky region.

**NOTE 8 – RELATED PARTY**

Society of St. Vincent DePaul, Council of Northern Kentucky is the revenue arm of the St. Vincent DePaul National Council. The charitable arms of the Council are termed conferences.

The Diocesan Council of Northern Kentucky has numerous transactions with St. Vincent DePaul National Council and each of the related conferences in the Diocese of Covington. The Diocesan Council is a chapter of a parent entity named St. Vincent DePaul Society.

The Organization paid dues, meeting expenses and contributions of \$16,751 and \$14,082 to the National Council and paid support of \$97,500 and \$66,534 to the member conferences for the years ended September 30, 2018 and 2017, respectively.

**NOTE 9 – DESIGNATION OF UNRESTRICTED NET ASSETS**

It is the policy of the Organization's Board of Directors to periodically review the Organization's needs and goals regarding needed repairs, improvements and renovations, equipment needs for the future. The Board may then designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements and acquisitions.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 10 – LEASE AGREEMENTS**

During 2016, in conjunction with an effort by the Organization to relocate the Newport, KY location, the Organization entered into a sale-leaseback transaction with a third party. The Organization sold the location for \$245,000 on June 29, 2016. The Organization then signed a lease with the new owner commencing July 1, 2016 and expiring on December 31, 2017 with renewal features. The lease was renewed for six months, starting January 1, 2018 and expiring June 30, 2018; all terms and conditions continue to apply for the renewal term. The minimum monthly rent was \$1,300. The Organization decided to close his location in June, 2018.

In January, 2014, the Organization entered into a lease agreement commencing in May, 2014 for a new outlet store in Florence, KY for a minimum term of five years to expire in April, 2019 with an option to renew an additional five years. The minimum monthly rent is \$4,167 plus estimated taxes, insurance and common area maintenance charges.

At September 30, 2018, future minimum commitments under these operating leases are as follows:

2019	\$ <u>29,167</u>
Total	\$ <u>29,167</u>

Total rent expense for these operating leases amounted to \$95,548 and \$96,503 for the fiscal years ended 2018 and 2017, respectively.

**NOTE 11 – DEFINED CONTRIBUTION PLAN**

The Organization has a 403(b) plan, whereby eligible regular and part time employees may elect to make deferrals pursuant to a salary reduction agreement upon meeting a 90 day length-of-service requirement. The Organization may contribute an additional 25% discretionary match of each employee’s payroll deducted contribution to their plan account. For the years ended September 30, 2018 and 2017, the Organization contributed \$8,780 and \$16,011, respectively.

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017**

**NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30, were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Food Pantry	\$ <u>71,690</u>	\$ <u>49,745</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from temporary donor restrictions were used for the following purposes:

	<u>2018</u>	<u>2017</u>
Food Pantry	\$ <u>504</u>	\$ <u>2,483</u>

**NOTE 13 – SUBSEQUENT EVENTS**

The Organization's policy with regard to subsequent events is that management evaluates both recognizable and non-recognizable events and determines their significance to the financial statements. Management's review of subsequent events has been evaluated through January 03, 2019, which is the date the financial statements were available to be issued. The Organization elected to extend the lease at the Florence location in January 2019.

## **SUPPLEMENTAL INFORMATION**

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
SCHEDULES OF DIRECT PROGRAM AND  
FUND RAISING EXPENSES**

**Year Ended September 30, 2018 (with Totals for Year Ended September 30, 2017)**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2018</u>	<u>Total 2017</u>
<b>Direct Program and Fund Raising Expenses</b>					
Conference support	\$ 97,500	\$ -	\$ -	\$ 97,500	\$ 66,534
Bed program expenses	74,299	-	-	74,299	89,091
Food pantry expenses	504	-	-	504	2,483
Special program expenses	10,221	-	-	10,221	15,578
Fund raising expenses	-	-	12,692	12,692	4,673
<b>Total Direct Program and Fund Raising Expenses</b>	<u>\$ 182,524</u>	<u>\$ -</u>	<u>\$ 12,692</u>	<u>\$ 195,216</u>	<u>\$ 178,359</u>

**SOCIETY OF ST. VINCENT DEPAUL  
COUNCIL OF NORTHERN KENTUCKY  
SCHEDULES OF ALL OTHER OPERATING EXPENSES  
Year Ended September 30, 2018 (with Totals for Year Ended September 30, 2017)**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2018</u>	<u>Total 2017</u>
<b>All Other Operating Expenses</b>					
Advertising and promotion	\$ -	\$ -	\$ 20,396	\$ 20,396	\$ 19,098
Auto auction expenses	-	-	21,316	21,316	14,604
Meetings	3,767	209	209	4,185	6,866
Memberships dues, meetings, and subscriptions	-	15,448	523	15,971	14,778
Miscellaneous	1,313	73	73	1,459	(456)
Payroll service charges	7,085	394	393	7,872	7,480
<b>Total All Other Operating Expenses</b>	<u>\$ 12,165</u>	<u>\$ 16,124</u>	<u>\$ 42,910</u>	<u>\$ 71,199</u>	<u>\$ 62,370</u>