

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

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

September 30, 2019 and 2018

**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, 2019 and 2018, 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, 2019 and 2018, 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 23 and 24 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.

A handwritten signature in blue ink that reads "Munninghoff, Lange & Co." in a cursive script.

Covington, KY
January 17, 2020

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018**

| ASSETS | | |
|-----------------------------------|---------------------|-------------------|
| | 2019 | 2018 |
| Current Assets | | |
| Cash and cash equivalents | \$ 157,797 | \$ 102,106 |
| Restricted cash | 30,000 | - |
| Investments | 532,168 | 467,079 |
| Accrued investment income | 2,966 | 4,543 |
| Prepays and other | 6,925 | 7,655 |
| Total Current Assets | 729,856 | 581,383 |
| Land, buildings and equipment | 1,264,444 | 1,197,540 |
| Accumulated depreciation | (880,597) | (875,034) |
| Net Property and Equipment | 383,847 | 322,506 |
| | | |
| Total Assets | \$ 1,113,703 | \$ 903,889 |

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018**

LIABILITIES AND NET ASSETS

| | 2019 | 2018 |
|---------------------------------------------|---------------------|-------------------|
| Current Liabilities | | |
| Accounts payable | \$ 17,774 | \$ 29,424 |
| Accrued payroll liabilities | 24,439 | 18,530 |
| Accrued sales tax | 6,114 | 8,245 |
| Accrued relief programs payable | 9,187 | 9,687 |
| Total Current Liabilities | 57,514 | 65,886 |
| Net Assets | | |
| Without donor restrictions | 923,045 | 766,313 |
| With donor restrictions | 133,144 | 71,690 |
| Total Net Assets | 1,056,189 | 838,003 |
| Total Liabilities and Net Assets | \$ 1,113,703 | \$ 903,889 |

See accompanying notes.

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

Year Ended September 30, 2019 (with Totals for Year Ended September 30, 2018)

| | Without donor restriction 2019 | With donor restriction 2019 | Total 2019 | Total 2018 |
|---------------------------------------------|-----------------------------------------------|--------------------------------------------|-----------------------|-----------------------|
| Revenues and Support | | | | |
| Sales of donated items | \$ 2,177,057 | \$ - | \$ 2,177,057 | \$ 2,120,902 |
| Grants | | | | |
| Distribution support | 234,690 | 159,334 | 394,024 | 182,925 |
| Investment income | 12,553 | - | 12,553 | 33,912 |
| Gain on disposal of property and equipment | 2,600 | - | 2,600 | - |
| Net assets released from donor restrictions | 97,880 | (97,880) | - | - |
| Total revenues and support | <u>2,524,780</u> | <u>61,454</u> | <u>2,586,234</u> | <u>2,337,739</u> |
| Expenses | | | | |
| Programs | 2,032,576 | - | 2,032,576 | 2,049,031 |
| Management and general | 167,897 | - | 167,897 | 161,576 |
| Fundraising | 167,575 | - | 167,575 | 155,063 |
| Total expenses | <u>2,368,048</u> | <u>-</u> | <u>2,368,048</u> | <u>2,365,670</u> |
| Increase (decrease) in net assets | 156,732 | 61,454 | 218,186 | (27,931) |
| Net assets - beginning of year | <u>766,313</u> | <u>71,690</u> | <u>838,003</u> | <u>865,934</u> |
| Net assets - end of year | <u>\$ 923,045</u> | <u>\$ 133,144</u> | <u>\$ 1,056,189</u> | <u>\$ 838,003</u> |

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018**

| | Without donor restriction 2018 | With donor restriction 2018 | Total 2018 |
|---------------------------------------------|-----------------------------------------------|--------------------------------------------|-----------------------|
| Revenues and Support | | | |
| Sales of donated items | \$ 2,120,902 | \$ - | \$ 2,120,902 |
| Grants | | | |
| Distribution support | 160,476 | 22,449 | 182,925 |
| Investment income | 33,912 | - | 33,912 |
| Gain on disposal of property and equipment | - | - | - |
| Net assets released from donor restrictions | 504 | (504) | - |
| Total revenues and support | 2,315,794 | 21,945 | 2,337,739 |
| Expenses | | | |
| Programs | 2,049,031 | - | 2,049,031 |
| Management and general | 161,576 | - | 161,576 |
| Fundraising | 155,063 | - | 155,063 |
| Total expenses | 2,365,670 | - | 2,365,670 |
| Increase (decrease) in net assets | (49,876) | 21,945 | (27,931) |
| Net assets - beginning of year | 816,189 | 49,745 | 865,934 |
| Net assets - end of year | \$ 766,313 | \$ 71,690 | \$ 838,003 |

See accompanying notes.

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

Year Ended September 30, 2019 (with Totals for Year Ended September 30, 2018)

| | <u>Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total 2019</u> | <u>Total 2018</u> |
|-------------------------------------------|---------------------|-----------------------------------|--------------------|-----------------------|-----------------------|
| Salaries and wages | \$ 1,179,819 | \$ 85,836 | \$ 76,936 | \$ 1,342,591 | \$ 1,296,251 |
| Payroll taxes | 86,587 | 6,299 | 5,646 | 98,532 | 93,992 |
| Employee insurance, training and benefits | 140,775 | 7,821 | 7,821 | 156,417 | 206,080 |
| Direct program and fundraising expenses | 189,598 | - | 10,310 | 199,908 | 195,216 |
| Depreciation | 44,913 | 2,495 | 2,495 | 49,903 | 65,078 |
| Business insurance | 26,647 | 1,480 | 1,480 | 29,607 | 37,708 |
| Utilities | 39,563 | 2,198 | 2,198 | 43,959 | 51,267 |
| Telephone | 40,983 | 2,277 | 2,277 | 45,537 | 37,231 |
| Truck expenses and repairs | 34,502 | 1,917 | 1,917 | 38,336 | 32,173 |
| Supplies | 30,326 | 1,291 | 1,291 | 32,908 | 26,645 |
| Rent | 87,959 | 1,795 | - | 89,754 | 95,548 |
| Facility maintenance | 115,640 | 5,395 | 5,395 | 126,430 | 117,507 |
| Legal and accounting | - | 12,546 | - | 12,546 | 15,285 |
| Bank charges and fees | - | 21,674 | 4,230 | 25,904 | 24,490 |
| All other operating expenses | 15,264 | 14,873 | 45,579 | 75,716 | 71,199 |
| Total expenses | <u>\$ 2,032,576</u> | <u>\$ 167,897</u> | <u>\$ 167,575</u> | <u>\$ 2,368,048</u> | <u>\$ 2,365,670</u> |

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2018**

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

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2019 and 2018**

| | 2019 | 2018 |
|-----------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 218,186 | \$ (27,931) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| (Gain) loss on sale of investments | 2,855 | (16,671) |
| Unrealized loss (gain) on investments | 1,631 | 2,078 |
| Gain on disposal of property and equipment | (2,600) | - |
| Depreciation | 49,903 | 65,078 |
| Changes in assets and liabilities | | |
| (Increase) decrease in : | | |
| Accrued investment income | 1,577 | (1,372) |
| Prepays and other | 730 | - |
| Increase (decrease) in: | | |
| Accounts payable | (11,648) | 2,748 |
| Accrued liabilities | 3,278 | 4,768 |
| | 263,912 | 28,698 |
| Cash Flows From Investing Activities | | |
| Purchases of investments | (239,594) | (189,905) |
| Proceeds from sales of investments | 170,018 | 208,107 |
| Net proceeds from sales of property and equipment | 2,600 | - |
| Purchases of property and equipment | (111,245) | (4,245) |
| | (178,221) | 13,957 |
| Net change in cash and cash equivalents | 85,691 | 42,655 |
| Cash and cash equivalents at beginning of year | 102,106 | 59,451 |
| Cash and cash equivalents at end of year | \$ 187,797 | \$ 102,106 |

See accompanying notes.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

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 Council also provides support to member conferences through the administration of its bed program, maintains and operates a food pantry and food distribution program for the Northern Kentucky community, and administers programs designed to meet the root causes of poverty, currently a Microloan Program and a “Partners in Prosperity” mentoring program. The organization has thrift 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 adopted the standard retrospectively to all periods presented.

In June 2018, the FASB issued ASU 2018-08, “*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*” (“ASU 2018-08”). The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

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

New Accounting Pronouncements (cont'd)

The amendment is effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. The Organization is evaluating the impact of this guidance on its financial statements and plans to adopt the standard in fiscal year 2020.

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.

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 \$(1,631) and \$(2,078) for the years ending September 30, 2019 and 2018, respectively. These effects are included in changes in unrestricted net assets, because the gains and losses are unrestricted. Accrued interest income was \$2,966 and \$4,543 at September 30, 2019 and 2018, respectively

Contributed Services

During the years ended September 30, 2019, and 2018, 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 33,000 (unaudited) and 29,000 (unaudited) volunteer hours for the years ending September 30, 2019 and 2018, 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.

Restricted Cash

The Organization has cash held with restrictions at a credit union to be used as security for loans made under a microloan program.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

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

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).

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 net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions, see Note 12 for further details.

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.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

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:

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.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

NOTE 2 – FAIR VALUE MEASUREMENTS (CONT'D)

The following table provides information by level for assets and liabilities that are measured at fair value, on a recurring basis at September 30, 2019 and 2018, respectively:

| September 30, 2019 | <i>Fair Value Measurements Using Inputs Considered As</i> | | | |
|------------------------------|----------------------------------------------------------------------|----------------|----------------|--------------|
| Description | Level 1 | Level 2 | Level 3 | Total |
| <i>Assets (Investments):</i> | | | | |
| Exchange Traded Funds | \$ 248,585 | \$ - | \$ - | \$ 248,585 |
| Corporate Bonds | - | 283,583 | - | 283,583 |
| Total Assets (Investments): | \$ 248,585 | \$ 283,583 | \$ - | \$ 532,168 |

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

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, 2019 and 2018.

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.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

NOTE 3 – INVESTMENTS

Investments are comprised of the following at September 30:

| <u>2019</u> | <u>Amortized cost</u> | <u>Unrecognized holding gains</u> | <u>losses</u> | <u>Estimated fair value</u> |
|-----------------------|---------------------------|---------------------------------------|-------------------|---------------------------------|
| Exchange traded funds | \$ 202,500 | \$ 47,433 | \$ (1,348) | \$ 248,585 |
| Corporate bond funds | <u>278,274</u> | <u>6,458</u> | <u>(1,149)</u> | <u>283,583</u> |
| Total investments | <u>\$ 480,774</u> | <u>\$ 53,891</u> | <u>\$ (2,497)</u> | <u>\$ 532,168</u> |
| | | | | |
| <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> |

Investment income is comprised of the following:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|-----------------|------------------|
| Dividends and interest | \$ 17,039 | \$ 19,319 |
| Realized and unrealized gain (loss) | <u>(4,486)</u> | <u>14,593</u> |
| Gross investment income | 12,553 | 33,912 |
| Less investment expenses | <u>4,230</u> | <u>3,922</u> |
| Net investment income | <u>\$ 8,323</u> | <u>\$ 29,990</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.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

NOTE 3 – INVESTMENTS (CONT'D)

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, 2019 and 2018.

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, 2019. The Organization's policy with regard to interest or penalties on such benefits is to record them as part of tax expense. Currently, the 2015, 2016, 2017 and 2018 tax years are open and remain subject to examination by the Internal Revenue Service as of September 30, 2019.

NOTE 5 - ADVERTISING

The Organization expenses all advertising and promotional costs when incurred.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

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>2019</u> | <u>2018</u> |
|--------------------------------|-------------------|-------------------|
| Land | \$ 66,764 | \$ 66,764 |
| Building | 259,845 | 259,845 |
| Building improvements | 385,732 | 363,488 |
| Furniture and fixtures | 133,109 | 133,109 |
| Transportation equipment | 351,628 | 306,968 |
| Machinery and equipment | <u>67,366</u> | <u>67,366</u> |
| Total at cost | 1,264,444 | 1,197,540 |
| Less: Accumulated depreciation | <u>(880,597)</u> | <u>(875,034)</u> |
| Property and equipment, net | \$ <u>343,847</u> | \$ <u>322,506</u> |

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, 2019 and 2018, 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.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

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 \$13,926 and \$16,751 to the National Council and paid support of \$91,335 and \$97,500 to the member conferences for the years ended September 30, 2019 and 2018, respectively.

NOTE 9 – DESIGNATION OF NET ASSETS WITHOUT DONOR RESTRICTION

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.

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 option to renew was exercised in January 2019, which is set to expire May 2024 with a option to renew for five additional years. The minimum monthly rent is \$5,000 plus estimated taxes, insurance and common area maintenance charges.

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

NOTE 10 – LEASE AGREEMENTS (CONT'D)

At September 30, 2019, future minimum commitments under these operating leases are as follows:

| | |
|-------|------------------|
| 2020 | \$ 60,000 |
| 2021 | 60,000 |
| 2022 | 60,000 |
| 2023 | 60,000 |
| 2024 | <u>40,000</u> |
| Total | <u>\$280,000</u> |

Total rent expense for these operating leases amounted to \$89,754 and \$95,548 for the fiscal years ended 2019 and 2018, 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, 2019 and 2018, the Organization contributed \$8,144 and \$8,780, respectively.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction at September 30, were available for the following purposes:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------------|-------------------|------------------|
| Food Pantry | \$ 78,049 | \$ 71,692 |
| Butler Matching Grant | <u>55,095</u> | <u>-</u> |
| Total net assets with donor restriction | <u>\$ 133,144</u> | <u>\$ 71,690</u> |

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019 and 2018**

NOTE 12 – NET ASSETS WITH DONOR RESTRICTION (CONT'D)

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 with donor restrictions were released and used for the following purposes:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------------------|------------------|---------------|
| Food Pantry | \$ 2,975 | \$ 504 |
| Butler Matching Grant | <u>94,905</u> | <u>-</u> |
| Total net assets with donor restriction released | \$ <u>97,880</u> | \$ <u>504</u> |

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------------------------|-------------------|-------------------|
| Financial assets at year-end | \$722,931 | \$573,728 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Donor-restricted for expenditures | <u>133,144</u> | <u>71,690</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 589,787</u> | <u>\$ 502,038</u> |

NOTE 14 – 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 17, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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

Year Ended September 30, 2019 (with Totals for Year Ended September 30, 2018)

| | <u>Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total 2019</u> | <u>Total 2018</u> |
|-------------------------------------------------------|-------------------|-----------------------------------|--------------------|-----------------------|-----------------------|
| Direct Program and Fund Raising Expenses | | | | | |
| Conference support | \$ 97,144 | \$ - | \$ - | \$ 97,144 | \$ 97,500 |
| Bed program expenses | 74,475 | - | - | 74,475 | 74,299 |
| Food pantry expenses | 2,975 | - | - | 2,975 | 504 |
| Special program expenses | 15,004 | - | - | 15,004 | 10,221 |
| Fund raising expenses | - | - | 10,310 | 10,310 | 12,692 |
| Total Direct Program and Fund Raising Expenses | <u>\$ 189,598</u> | <u>\$ -</u> | <u>\$ 10,310</u> | <u>\$ 199,908</u> | <u>\$ 195,216</u> |

**SOCIETY OF ST. VINCENT DEPAUL
COUNCIL OF NORTHERN KENTUCKY
SCHEDULES OF ALL OTHER OPERATING EXPENSES
Year Ended September 30, 2019 (with Totals for Year Ended September 30, 2018)**

| | <u>Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total 2019</u> | <u>Total 2018</u> |
|-----------------------------------------------|------------------|-----------------------------------|--------------------|-----------------------|-----------------------|
| All Other Operating Expenses | | | | | |
| Advertising and promotion | \$ - | \$ - | \$ 18,633 | \$ 18,633 | \$ 20,396 |
| Auto auction expenses | - | - | 18,163 | 18,163 | 21,316 |
| Meetings | 3,856 | 214 | 214 | 4,284 | 4,185 |
| Memberships dues, meetings, and subscriptions | - | 14,200 | 774 | 14,974 | 15,971 |
| Miscellaneous | (48) | (3) | (3) | (54) | 1,459 |
| Retail beds | 3,143 | - | 7,336 | 10,479 | - |
| Payroll service charges | 8,313 | 462 | 462 | 9,237 | 7,872 |
| Total All Other Operating Expenses | <u>\$ 15,264</u> | <u>\$ 14,873</u> | <u>\$ 45,579</u> | <u>\$ 75,716</u> | <u>\$ 71,199</u> |