THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Year Ended September 30, 2023

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Year Ended September 30, 2023

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*** *(the "Organization")*, which comprise the consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*** as of September 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date that the consolidated financial statements are available to be issued.

Mayer Hoffman McCann P.C.
An Independent CPA Firm
4722 N. 24th Street, Suite 300
Phoenix, AZ 85016

Phone: 602.264.6835
Fax: 602.265.7631
mhmcpa.com

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated February 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent in all material respects, with the audited financial statements from which it was derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

April 9, 2024

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2023
(with summarized comparative totals at September 30, 2022)

A S S E T S

	2023	2022
Cash and cash equivalents	$ 1,647,045	$ 6,559,271
Accounts receivable, net	362,146	155,413
Contributions, grants, and bequests receivable, net	13,006,543	8,568,271
Inventories, net	1,430,103	1,596,208
Investments	42,062,206	36,203,729
Beneficial interest in remainder trusts	872,506	837,820
Beneficial interests in assets held in trusts	8,216,855	8,717,158
Property and equipment, net	26,566,254	22,072,336
Operating lease right of use asset	538,009	-
Note receivable	496,251	-
Other assets	549,179	611,959
TOTAL ASSETS	$ 95,747,097	$ 85,322,165

L I A B I L I T I E S   A N D   N E T   A S S E T S

	2023	2022
LIABILITIES		
Accounts payable	$ 1,359,539	$ 872,883
Accrued expenses and other liabilities	2,056,838	2,027,035
Operating lease liability	541,552	-
Charitable gift annuities payable	1,658,833	1,767,512
TOTAL LIABILITIES	5,616,762	4,667,430
NET ASSETS		
Without donor restrictions	38,520,597	38,736,201
With donor restrictions	51,609,738	41,918,534
TOTAL NET ASSETS	90,130,335	80,654,735
TOTAL LIABILITIES AND NET ASSETS	$ 95,747,097	$ 85,322,165

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended September 30, 2023
(with summarized comparative totals for the year ended September 30, 2022)

	Without donor restrictions	With donor restrictions	2023 Total	2022 Total
SUPPORT AND REVENUES				
In-kind contributions - food, medical, dental, other	$ 13,923,171	$ -	$ 13,923,171	$ 12,109,211
In-kind contributions - donated merchandise - retail	4,614,482	-	4,614,482	4,880,060
Donated merchandise sales - retail	5,121,692	-	5,121,692	5,066,310
Bequests and trusts contributions	4,256,318	290,416	4,546,734	960,657
Contributions	22,878,479	3,455,241	26,333,720	25,139,194
Government and other grants	5,785,387	5,108,164	10,893,551	8,898,544
Interest and dividends	757,392	1,377,945	2,135,337	1,488,378
Realized and unrealized investment gains (losses), net	1,308,297	2,046,449	3,354,746	(7,615,234)
Change in value of charitable gift annuities	(111,808)	-	(111,808)	(81,020)
Earnings on beneficial interest in assets held in trusts and remainder trusts	769,989	-	769,989	74,173
Change in value of beneficial interest in assets held in trusts and remainder trusts	-	564,545	564,545	(1,914,293)
Other	1,771,804	-	1,771,804	1,159,305
Net assets released from restrictions	3,151,556	(3,151,556)	-	-
TOTAL SUPPORT AND REVENUES	64,226,759	9,691,204	73,917,963	50,165,285
EXPENSES				
Program services				
Food reclamation center, food services, dining room and urban farm	20,024,304	-	20,024,304	15,636,530
Retail operations	11,119,059	-	11,119,059	10,611,942
Shelter operations, ministry to the homeless and homelessness prevention	12,240,243	-	12,240,243	9,758,409
Medical/dental clinic	6,954,730	-	6,954,730	7,505,077
Special events and projects	1,379,328	-	1,379,328	1,436,467
Conferences and volunteers	2,792,298	-	2,792,298	2,986,262
Total program services	54,509,962	-	54,509,962	47,934,687
Support services				
Management and administration	3,972,760	-	3,972,760	3,572,185
Fundraising and community relations	5,988,054	-	5,988,054	5,203,077
Total support services	9,960,814	-	9,960,814	8,775,262
TOTAL FUNCTIONAL EXPENSES	64,470,776	-	64,470,776	56,709,949
GAIN ON SALE OF PROPERTY AND EQUIPMENT	28,413	-	28,413	10,000
CHANGE IN NET ASSETS	(215,604)	9,691,204	9,475,600	(6,534,664)
NET ASSETS, BEGINNING OF YEAR	38,736,201	41,918,534	80,654,735	87,189,399
NET ASSETS, END OF YEAR	$ 38,520,597	$ 51,609,738	$ 90,130,335	$ 80,654,735

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2023

	Food Reclamation Center, Food Services, Dining Room, and Urban Farm	Retail Operations	Shelter Operations, Ministry to the Homeless, and Homelessness Prevention	Medical/ Dental Clinic	Special Events and Projects	Conferences and Volunteers	Total Program Services	Management and Administration	Fundraising and Community Relations	Total Support Services	Total Functional Expenses
Salaries and wages	$ 3,157,407	$ 3,159,568	$ 3,897,646	$ 2,075,095	$ 270,885	$ 1,049,821	$ 13,610,422	$ 2,202,519	$ 2,272,414	$ 4,474,933	$ 18,085,355
Employee benefits	831,178	877,427	927,438	635,722	99,612	324,080	3,695,457	597,579	568,421	1,166,000	4,861,457
Contract labor	537,043	5,637	792,074	25,800	20,270	62,897	1,443,721	1,041	142,739	143,780	1,587,501
Client costs	3,117,563	-	4,458,746	382,667	347,107	3,927	8,310,010	-	-	-	8,310,010
Council aid to conferences	-	-	-	-	8,000	693,102	701,102	-	-	-	701,102
Professional services	24,464	5,232	30,893	375,275	449	4,207	440,520	131,456	762,360	893,816	1,334,336
Equipment and supplies	578,512	96,044	348,263	131,683	21,686	56,960	1,233,148	23,785	43,967	67,752	1,300,900
Vehicle expenses	265,570	452,519	77,053	19,527	15,694	6,732	837,095	4,645	3,934	8,579	845,674
Repairs and maintenance	562,450	190,394	596,049	72,480	29,137	13,015	1,463,525	31,599	14,053	45,652	1,509,177
Computer expenses	29,851	55,875	27,181	30,035	3,405	32,434	178,781	860,050	121,710	981,760	1,160,541
Rent expense	-	395,899	-	-	-	-	395,899	-	-	-	395,899
Occupancy	516,592	293,842	184,636	67,923	14,058	29,219	1,106,270	30,707	17,986	48,693	1,154,963
Insurance	63,192	54,160	53,335	67,096	8,111	6,336	252,230	26,831	5,152	31,983	284,213
Advertising and marketing	-	-	-	-	-	-	-	-	1,089,363	1,089,363	1,089,363
Retail merchandise	-	446,925	-	-	-	-	446,925	-	-	-	446,925
Other expenses	70,137	270,799	98,442	55,613	17,555	225,295	737,841	53,121	762,779	815,900	1,553,741
Depreciation and amortization	443,771	120,314	275,575	179,089	22,031	22,425	1,063,205	7,356	173,863	181,219	1,244,424
In-kind expense - food	9,086,461	-	-	-	-	-	9,086,461	-	-	-	9,086,461
In-kind expense - merchandise	-	4,614,482	-	-	-	-	4,614,482	-	-	-	4,614,482
In-kind expense - other	740,113	79,942	472,912	2,836,725	501,328	261,848	4,892,868	2,071	9,313	11,384	4,904,252
TOTAL FUNCTIONAL EXPENSES	$ 20,024,304	$ 11,119,059	$ 12,240,243	$ 6,954,730	$ 1,379,328	$ 2,792,298	$ 54,509,962	$ 3,972,760	$ 5,988,054	$ 9,960,814	$ 64,470,776

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022

	Food Reclamation Center, Food Services, Dining Room, and Urban Farm	Retail Operations	Shelter Operations, Ministry to the Homeless, and Homelessness Prevention	Medical/ Dental Clinic	Special Events and Projects	Conferences and Volunteers	Total Program Services	Management and Administration	Fundraising and Community Relations	Total Support Services	Total Functional Expenses
Salaries and wages	$ 2,458,452	$ 2,854,535	$ 2,400,198	$ 1,715,876	$ 202,878	$ 897,392	$ 10,529,331	$ 1,957,518	$ 1,988,753	$ 3,946,271	$ 14,475,602
Employee benefits	703,124	753,268	603,958	528,221	73,200	267,715	2,929,486	514,360	483,156	997,516	3,927,002
Contract labor	535,657	54,880	767,520	31,815	15,606	13,443	1,418,921	6,553	50,528	57,081	1,476,002
Client costs	1,843,814	-	4,210,105	338,236	925,014	-	7,317,169	-	-	-	7,317,169
Council aid to conferences	-	-	-	-	8,000	1,541,780	1,549,780	-	-	-	1,549,780
Professional services	16,077	33,014	46,439	383,714	403	31,301	510,948	130,067	648,875	778,942	1,289,890
Equipment and supplies	520,579	100,690	298,562	52,665	12,000	42,368	1,026,864	22,846	76,962	99,808	1,126,672
Vehicle expenses	283,525	456,031	42,815	14,250	1,019	4,920	802,560	2,015	2,832	4,847	807,407
Repairs and maintenance	634,427	153,684	346,086	68,901	15,513	19,977	1,238,588	14,707	7,473	22,180	1,260,768
Computer expenses	29,451	59,680	28,987	58,659	7,933	23,720	208,430	679,626	177,248	856,874	1,065,304
Rent expense	-	486,235	-	-	-	-	486,235	-	-	-	486,235
Occupancy	403,808	274,861	164,449	48,284	11,905	23,307	926,614	19,578	17,094	36,672	963,286
Insurance	55,554	45,953	39,787	54,553	1,777	5,235	202,859	41,143	2,786	43,929	246,788
Advertising and marketing	-	-	-	-	-	-	-	-	1,055,702	1,055,702	1,055,702
Retail merchandise	-	101,651	-	-	-	-	101,651	-	-	-	101,651
Other expenses	56,593	108,852	49,253	43,185	26,489	88,393	372,765	169,956	605,675	775,631	1,148,396
Depreciation and amortization	505,438	118,900	270,281	174,558	11,397	18,664	1,099,238	7,432	20,976	28,408	1,127,646
In-kind expenses - food	6,674,268	-	-	-	-	-	6,674,268	-	-	-	6,674,268
In-kind expense - merchandise	-	4,880,060	-	-	-	-	4,880,060	-	-	-	4,880,060
In-kind expense - other	915,763	129,648	489,969	3,992,160	123,333	8,047	5,658,920	6,384	65,017	71,401	5,730,321
TOTAL FUNCTIONAL EXPENSES	$ 15,636,530	$ 10,611,942	$ 9,758,409	$ 7,505,077	$ 1,436,467	$ 2,986,262	$ 47,934,687	$ 3,572,185	$ 5,203,077	$ 8,775,262	$ 56,709,949

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended September 30, 2023
(with summarized comparative totals for the year ended September 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 9,475,600	$ (6,534,664)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization of property and equipment	1,244,424	1,127,646
Non-cash lease expense	374,795	-
Net realized and unrealized investment (gains) losses	(3,354,746)	7,615,234
Change in value of beneficial interest in remainder trust	(34,686)	375,013
Change in value of charitable gift annuities	111,808	81,020
Net distributions and change in value of beneficial interests in assets held in trusts	(529,859)	1,539,280
Contributions restricted to endowment	(516,079)	(5,600,727)
Contributions restricted to investment in property and equipment	(3,979,332)	(963,094)
Gain on sale of property and equipment	(28,413)	(10,000)
Contributed property and equipment	(37,800)	(39,500)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(702,984)	90,294
Contributions, pledges and grants receivable	(6,438,272)	7,583,871
Inventories	166,105	204,003
Other assets	62,780	(129,779)
Accounts payable	997,141	134,383
Accrued expenses and other liabilities	29,803	252,971
Operating lease liability	(371,252)	-
Charitable gift annuities payable	(220,487)	(14,147)
Net cash (used in) provided by operating activities	(3,751,454)	5,711,804
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(6,389,000)	(2,218,046)
Proceeds from sale of equipment	206,386	10,000
Distributons of beneficial interest in trusts corpus	1,030,162	268,227
Purchase of investments	(3,607,287)	(12,433,990)
Proceeds from sale of investments	1,103,556	3,171,306
Net cash used in investing activities	(7,656,183)	(11,202,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections on contributions restricted to endowment	2,516,079	1,877,131
Collections on contributions restricted to investment in property and equipment	3,979,332	963,094
Net cash provided by financing activities	6,495,411	2,840,225
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,912,226)	(2,650,474)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,559,271	9,209,745
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,647,045	$ 6,559,271

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Recognition of operating lease right-of-use asset and liability upon adoption of ASC Topic 842	$ 887,699	$ -
Recognition of operating lease right-of-use asset and liability during fiscal 2023	$ 25,105	$ -
Purchase of property and equipment in accounts payable	$ 510,485	$ -

See Notes to Consolidated Financial Statements

(1) Nature of operations and summary of significant accounting policies

The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix ("the Council") is a Catholic organization of Catholic and non-Catholic laypersons operating as a nonprofit corporation, without capital stock, throughout central and northern Arizona. The Council's primary mission is to serve the poor and to provide others with the opportunity to serve. In December 2022, the Council created Oz II, LLC a new legal entity which is a wholly owned subsidiary of the Council. The Council's intent is to ultimately move the completed facility into the Oz II, LLC entity and then lease the facility from Oz II, LLC to the Council. Hereafter, the consolidated entity is referred to as "the Council".

The Council's primary programs include:

Program Services:
Food Reclamation Center, Food Services, Dining Room, and Urban Farm: The Council's five charity dining rooms are strategically located throughout metropolitan Phoenix to be easily accessible to the food-insecure people who need them most. Every day, the central kitchen prepares nourishing meals to be served at each of the dining rooms free of charge. Additionally, it supplies partner nonprofits without kitchen facilities of their own with daily meals to serve guests. Each day, truckloads of food donated by grocery stores and community food drives arrive at their central food bank to be sorted and measured against strict quality control standards before being sent to the central kitchen for hot meal service, or to one of the Council's 81 Community-Based Food Pantries. The Council's three urban farms provide freshly harvested food and sustainable programmatic support for the central kitchen and dining room meal services, and to the Council's network of food boxes.

Retail Operations: The Council operated six retail stores throughout metropolitan Phoenix which offer sustainable programmatic support for the various programs and services offered by the Council. Activities include collecting and transporting donated items to the thrift stores, and sorting and displaying products for sale. Donated clothing, furniture and household items are either sold, used by Council programs, or given directly to support someone in need. During fiscal 2023 a retail store was closed. An additional retail store was closed in fiscal 2024.

Shelter Operations, Ministry to the Homeless, and Homelessness Prevention: The Resource Center provides homelessness prevention through emergency rent, mortgage and utility assistance. It also provides transportation for people experiencing homelessness to help them get home to families or jobs. The Council inspires about 200 homeless guests daily to make real changes in their lives by enhancing the dignity of each individual who walks through the door. The Council offers hot showers, clothing and haircuts, bikes and bus tickets, job leads and one-on-one social work case management and legal assistance. The Council's homeless shelter, Ozanam Manor, is a 60-bed shelter designed for those experiencing homelessness who are disabled, a veteran and/or age 50+. These residents receive best-practice one-on-one case management, mentoring, group activities and other goal-setting programs in an environment of trauma-informed care, to develop the skills and resources they will need to achieve independent living permanently. The Council also operates a 260-bed shelter providing a safe place for homeless men and women to sleep at night.

Medical/Dental Clinic: The Council's medical and dental clinics treat the uninsured or under-insured, low-income people of Arizona at little or no cost, increasing access to quality health care for a population with few affordable options. Offering access to specialty care, the clinics run on a small paid staff and team of volunteer physicians, dentists and other medical professionals. The clinics are also teaching partners for some of Arizona's top medical and dental colleges. Additionally, the Council's Family Wellness Center empowers patients prone to chronic illnesses to practice preventative care and offers them evidence-based, accredited education on diabetes management, healthy cooking and eating, and exercise.

(1) Nature of operations and summary of significant accounting policies (continued)

Special Events and Projects: Special events and projects include activities performed to meet the mission and purposes of the Council but do not fall within the other functional categories. The Council operates two educational programs: Dream Center and the St. Vincent de Paul ("SVDP") First Generation Scholarship Program. The Dream Center after-school program serves children nightly with homework, literacy, tutoring, reading skills, games, classes, mentorship, and workshops. The SVDP First Generation Scholarship Program provides first-generation college students with tuition assistance, one-on-one mentoring, and other critical support to break the cycle of poverty.

Conferences and Volunteers: Activities include supporting the Council-supporting Parish Conferences, coordinating, and organizing volunteers that assist the Council in accomplishing the mission, and program related support relating to the various ministries of the Council.

Support Services:
Management and Administration: Activities include all costs not identifiable with a single program or fundraising activity but are an integral part of such programs and activities and to the Council's existence. This includes expenses for the overall direction of the Council, business management, general record keeping, budgeting, and financial reporting.

Fundraising and Community Relations: Activities performed by the Council for the generation of funds and/or resources to support its programs and operations. Activities also include the communication of the purpose, activities, and services of the Council to the public.

The assets, liabilities, net assets, and operating results of the District Councils and Conferences are not included in the accompanying consolidated financial statements. The District Councils operate independently with separate officers, and are not controlled by the Council, but are subject to oversight by the Council and have the same rules and mission as the Council.

The significant accounting policies followed by the Council are summarized below:

Consolidated financial statements – In accordance with FASB ASC 958-810, Not-for-Profit Entities – Consolidation, the consolidated financial statements includes the accounts of the Council and Oz II, LLC. All significant inter-organization transactions and accounts have been eliminated in consolidation.

Basis of presentation - The accompanying financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities – Presentation of Financial Statements. Under ASC 958-205, the Council is required to report information regarding their financial position and activities according to two classes of net assets based upon the existence or absence of restrictions on use that are placed by donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Council. These net assets may be used at the discretion of the Council's management and the Board of Directors.

Net assets with donor restrictions
Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

(1) Nature of operations and summary of significant accounting policies (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and change in net assets.

Management's use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - For purposes of reporting cash flows, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC"). The Council maintains cash in financial institutions in excess of the amounts insured by the FDIC.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. Management's estimate of the allowance for doubtful accounts was $3,000 as of September 30, 2023 and 2022.

Contributions and grants receivable - Contributions receivable represent unconditional promises to give (pledges) that are acknowledged in writing by donating parties prior to September 30 but not transmitted to the Council until after that date. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution support. The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management's estimate of the allowance for doubtful accounts was $100,000 as of September 30, 2023 and 2022. One pledge made up 15% and one grantor made up 22% of contributions and grants receivable as of September 30, 2023. Three pledges receivable made up 75% of contributions and grants receivable as of September 30, 2022.

Inventories - Inventories consist of donated and purchased food, retail products and medical supplies. Donated food inventories are stated at the estimated value per pound as determined by Feeding America, a national association of food banks, which provides assistance and valuation of food and grocery products. Donated retail products and medical supplies inventories are stated at the estimated sales value at the time of donation. Purchased inventories are stated at the lower of cost, as determined using the first-in, first-out ("FIFO") basis, or net realizable value.

(1) Nature of operations and summary of significant accounting policies (continued)

Inventories consist of the following at September 30:

	2023	2022
Food	$ 445,053	$ 549,164
Retail products	410,080	530,844
Medical and pharmaceutical supplies	674,970	616,200
	1,530,103	1,696,208
Less inventory reserve	(100,000)	(100,000)
Total inventories	$ 1,430,103	$ 1,596,208

Investments - Investments are accounted for in accordance with FASB ASC 958-321, *Not-for-Profit Entities - Investments - Equity Securities* and FASB ASC 958-320, *Not-for-Profit Entities - Investments - Debt Securities*. Under FASB ASC 958-320 and FASB ASC 958-321, the Council reports investments in equity and debt securities at fair value in the consolidated statement of financial position. The fair value of marketable equity securities with readily determinable fair values are based on quoted market prices. The fair value of fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are observable. If quoted market prices are not available, fair value is determined using one, or a combination, of the following methods: (1) a matrix pricing for similar bonds, (2) quoted prices for recent trading activity of assets with similar characteristics to the bond or (3) using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms to companies with comparable credit risk and a credit value adjustment to consider the likelihood of counterparty nonperformance, after consideration for the impact of collateralization and netting agreements, if applicable.

Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) is included in net assets without restrictions unless the associated income or loss is restricted. Declines in the fair value of investments below their cost that are deemed to be other than temporary are reflected as realized losses. There were no declines in fair value of investments below their cost that were deemed to be other than temporary as of and for the years ended September 30, 2023 and 2022.

The Council uses various types of investments which are exposed to a variety of risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Fair value measurement - FASB ASC 820, *Fair Value Measurement,* establishes a common definition for fair value to be applied to GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

(1) Nature of operations and summary of significant accounting policies (continued)

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 used maximize the use of observable inputs and minimize the use of unobservable inputs.

Beneficial interest in assets held in trusts and remainder trusts - The Council receives contributions of investment assets in which the Council retains an interest. The assets are invested in debt and equity securities and administered by unrelated trustees, and distributions are made to the Council. Perpetual trust investments held by a third-party trustee are valued at fair value based upon quoted market prices, when available, and when not available, are recorded at estimated fair value. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as trust contributions and change in value of beneficial interest in assets held in trusts.

The Council is the beneficiary of certain irrevocable charitable remainder trusts. Under the terms of the trust agreements, the Council is to receive the remainder interest in the assets at the end of the trusts' terms. Upon the termination of the trust agreements, the remaining trust assets are distributed. The value of the beneficial interest agreements are recorded at the fair value of the investments which are held by third-party trustees and then adjusted for the Council's interest in the assets.

Property and equipment - Property and equipment are initially recorded at cost and donated property and equipment are recorded at fair value at the date of gift. Betterments and renewals in excess of $10,000 are capitalized. Construction-in-progress is stated at cost and not depreciated. The construction-in-progress will be transferred to buildings and improvements upon completion. Depreciation and amortization is provided using the straight-line method over the following useful lives:

Buildings and improvements	10 to 40 years
Equipment	3 to 15 years
Automobiles and trucks	5 to 10 years
Website/software	3 years
Leasehold improvements	5 years

Impairment of long-lived assets - The Council reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe that any impairment indicators were present as of September 30, 2023 or 2022.

Charitable gift annuities - The Council receives contributions of assets in exchange for a promise by the Council to pay a fixed amount for a specified period of time to the donor or to donor-designated beneficiaries. The assets are invested and administered by the Council and distributions are made to the beneficiaries under the terms of the agreements. The assets received are held in the investments of the Council and the annuity liability is a general obligation of the Council. The initial recognition and subsequent adjustments to the assets' carrying values are reported as a change in value of the charitable gift annuities on the consolidated statements of activities and change in net assets.

(1) Nature of operations and summary of significant accounting policies (continued)

Obligations under the charitable gift annuities are recorded when incurred at the present value of the anticipated distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries or a specific period. Present values are determined using appropriate discount rates and actuarially determined life expectancies. Obligations under these agreements are revalued annually at September 30 to reflect actuarial experience; the discount rate is not changed. The net revaluations, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of charitable gift annuities.

Donated non-financial assets (in-kinds) - In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The Organization implemented ASU 2020-07 during the year ended September 30, 2022 and presents contributed nonfinancial assets (in-kinds) separately on the consolidated statement of activities and change in net assets.

Donated goods and materials are reflected as contributions in the consolidated statement of activities and change in net assets at their estimated fair values at the date of receipt. The Council receives donated food, merchandise, pharmaceuticals, and supplies from grocery stores, businesses, individual donors, other not-for-profit organizations, and the U.S. Department of Agriculture ("USDA"), and through community food drives.

The Council reports the fair value of donated food as contributions without donor restrictions, and immediately thereafter, as an expense when distributed for program purposes and received by the recipients. Donated food is typically utilized in the Council's programs. For the years ended September 30, 2023 and 2022, the Council did not monetize or sell any donated food. Donated food, other than that provided by the USDA, is valued based on the estimated price per pound as determined by Feeding America, which is the industry standard. These values were determined based upon calendar year 2022 and 2021 studies performed by Feeding America. Each of the annual studies involves a review of various product categories and wholesale prices using a national wholesaler's pricing catalogs. Other independent sources may also be used as necessary for items not included in the catalogs (Level 2 inputs). The average value of one pound of donated product will vary from year-to-year based on the mix of product items donated. As part of the study, Feeding America analyzes and reviews the results to determine the accuracy and understand the key components of the valuation and the year-over-year changes.

Donated pharmaceuticals, medications and supplies are valued at estimated fair value using average wholesale prices of drugs and other independent sources (Level 2 inputs). Donated pharmaceuticals and supplies are typically utilized in the Council's programs. For the years ended September 30, 2023 and 2022, the Council did not monetize any donated pharmaceuticals and supplies.

Donated merchandise is valued at estimated fair value based on estimated prices of identical or similar items in local retail markets (Level 2 inputs) in a similar condition. Most of the donated merchandise is monetized or sold in the Council's thrift stores. The proceeds from donated merchandise retail sales are utilized in the Council's programs.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Council receives medical, dental, and other professional services from qualified providers which is valued based on estimated prices or rates for identical or similar services in the local market (Level 2). The Council uses medical, dental and other professional services within their programs.

(1) Nature of operations and summary of significant accounting policies (continued)

No amounts have been reflected in the consolidated financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time in the Council's program services.

Management estimates that the unrecorded number of donated services hours was 109,555 and 174,240 for the years ended September 30, 2023 and 2022, respectively.

In-kind contributions consist of the following for the years ended September 30:

	2023	2022
Total food received in pounds from grocery stores, food drives and government	4,434,901	3,678,497
Estimated market value (per pound)	$ 1.57	$ 1.53
Donated food and grocery products	$ 9,086,461	$ 6,674,268
Donated merchandise for retail sales	4,614,482	4,880,060
Items for program use	1,908,549	1,441,631
Professional volunteer support	2,190,071	2,187,424
Medical/dental supplies and procedures	700,290	1,766,388
Donated fixed assets	37,800	39,500
Total in-kind contributions	$ 18,537,653	$ 16,989,271

Contributions - The Council evaluates grants and contributions for evidence of the transfer of commensurate value from the Council to the resource provider. The transfer of commensurate value from the Council to the resource provider may include instances when a) the goods or services provided by the Council directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Council. When such factors exist, the Council accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Council accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Council to the resource provider, the Council evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Council or the right of return from the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Council and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Council to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Council accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and change in net assets as net assets released from restrictions. Contributions with donor restrictions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to contributions without donor restrictions.

(1) Nature of operations and summary of significant accounting policies (continued)

One contribution comprised 19% of total contribution revenue for the year ended September 30, 2022.

Bequests - Bequests are recognized as contribution revenue in the period the Council receives notification the court has found the will of the donor’s estate to be valid and all conditions have been substantially met. At September 30, 2023 and 2022 bequests receivable are all due within one year. Management provides for probable uncollectible bequests receivable through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of individual bequests receivable, if necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to bequests receivable. At September 30, 2023 and 2022, bequests receivable are deemed by management to be fully collectible; accordingly, an allowance for uncollectible bequests is not considered necessary. One bequest comprises 62% of total bequest for the year ended September 30, 2023.

Government grants - A portion of the Council's revenue is derived from federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Council has met performance requirements or has incurred expenditures in compliance with specific contract or grant provisions. The Council's management believes it to be in compliance with applicable grant or contract requirements. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although Council management expects such amounts, if any, to be immaterial. Any amounts received prior to incurring qualifying expenditures would be reported as deferred revenue in the statement of financial position. In fiscal 2023, the Council has received conditional grants totaling $18,000,000 for the construction of a new transitional shelter, $11,666,989 for shelter operations, and $1,000,000 for housing stabilization. At September 30, 2023, the Council had approximately $22,282,000 that had not been recognized as qualifying expenditures had not yet been incurred. In fiscal 2022, the Council received conditional grants totaling approximately $3,955,000 that had not been recognized at September 30, 2022, as qualifying expenditures had not yet been incurred.

At September 30, 2023, four grants comprise 57% of total government and other grant revenue.

Revenue recognition and adoption of ASC Topic 606 – The Council accounts for revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers.* The core principle of the guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

Donated merchandise sales - retail - The Council has several retail stores open to the public. Retail sales revenue is reported at an amount that reflects the consideration to which the Council expects to be entitled in exchange for the goods. Amounts received for retail store sales are recorded as revenue at the point in time the goods are transferred to the customer. Payment is due at the time of the sale.

Functional expenses - The costs of providing the Council’s various programs and other activities have been reported on a functional basis in the accompanying consolidated statement of activities and change in net assets.

(1) Nature of operations and summary of significant accounting policies (continued)

The consolidated statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to programs and supporting services. The Council charges substantially all of the expenses directly to the appropriate function. Management and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council.

Program service expenses not directly chargeable are allocated based on the following indicators:

Expense	Method of Allocation
Salaries	Time and effort
Occupancy	Square footage
Depreciation	Square footage

Income taxes - The Council is a nonprofit charitable organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state corporate income taxes has been made in the accompanying financial statements. The Council qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a). Income determined to be unrelated business taxable income would be taxable. Oz II, LLC is a disregarded entity for tax purposes.

The Council evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filing, and discussions with outside experts. At September 30, 2023 and 2022, management believes the Council did not have any uncertain tax positions.

The Council's federal Return of Organization Exempt from Income Tax (Form 990) for 2020, 2021 and 2022 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. As of the date of this report, the 2023 returns had not yet been filed.

Recent accounting pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842*). ASU 2016-02 requires that a lease liability and related right-of-use ("ROU") asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance.

The Council adopted ASU No. 2016-02 effective October 1, 2022 under the modified retrospective approach. The Council adopted the package of practical expedients to (1) not reassess whether existing contracts contain leases, (2) carryforward the existing lease classification, and (3) not reassess initial direct costs associated with existing leases. In addition, the Council elected the practical expedient to use hindsight in determining the lease term for existing leases. The Council also elected to use the risk-free rate as a practical expedient for the determination of a discount rate for the right-of-use asset and corresponding lease liabilities.

The adoption did not have a material impact on the Council's consolidated statement of financial position. See Note 9.

(1) Nature of operations and summary of significant accounting policies (continued)

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss method of estimating credit losses with an expected loss method referred to as the current expected credit loss ("CECL") model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. Under the CECL model, an entity measures all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Council is currently evaluating the impact the new standard will have on its consolidated financial statements and related disclosures.

Subsequent events - The Council has evaluated events through April 9, 2024, which is the date the consolidated financial statements were available to be issued.

(2) Receivables

Contributions, grants, and bequests receivable have been discounted at a rate of approximately 3.00% at September 30, 2023 and 2022. The following is a summary of the contributions, grants and bequests receivable at September 30:

	2023	2022
One year	$ 11,291,118	$ 3,786,557
Two to five years	2,404,018	5,524,018
Gross contributions, grants, and bequests receivable	13,695,136	9,310,575
Less: Discount to present value	(588,593)	(642,304)
Less: Allowance for uncollectible pledges	(100,000)	(100,000)
Total contributions, grants, and bequests receivable, net	$ 13,006,543	$ 8,568,271

Accounts receivable consist of the following at September 30:

	2023	2022
Receivables from conferences and affiliates	$ 45,599	$ 120,308
Other receivables	319,547	38,105
Gross accounts receivable	365,146	158,413
Less: Allowance for uncollectible receivables	(3,000)	(3,000)
Total accounts receivable, net	$ 362,146	$ 155,413

(3) Note receivable

In August 2023 the Council loaned a member Conference $500,000 for the purchase of a thrift store and related site improvements in Payson, Arizona. In accordance with the Funding Assistance Agreement, interest accrues at 5% and is due in equal monthly installments of principal and interest of $3,954 beginning September 1, 2023. The note matures September 1, 2038. The loan is collateralized by the purchased property.

(3) Note receivable (continued)

Future minimum payments under the agreement as of September 30, 2023 are as follows:

Years Ending September 30,	
2024	$ 23,161
2025	24,346
2026	25,592
2027	26,901
2028	28,278
Thereafter	367,973
	$ 496,251

The note receivable is stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of the note. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to note receivable. At September 30, 2023, management deemed the note receivable to be fully collectible and accordingly, an allowance for uncollectible amounts was not considered necessary.

(4) Investments and fair value of financial instruments

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 30, 2023:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ -	$ -	$ -	$ 497,733
Mutual funds:				
Equity funds	13,814,700	131,308	-	13,946,008
Small cap	15,275,301	-	-	15,275,301
Large cap	6,253,857	-	-	6,253,857
Total mutual funds	35,343,858	131,308	-	35,475,166
Certificates of deposit	-	1,102,566	-	1,102,566
Fixed income:				
Government bonds	498,520	2,001,706	-	2,500,226
U.S. Treasury note	2,486,515	-	-	2,486,515
Total fixed income	2,985,035	2,001,706	-	4,986,741
Total investments at fair value	$ 38,328,893	$ 3,235,580	$ -	$ 42,062,206
Beneficial interests in remainder trusts	$ -	$ -	$ 872,506	$ 872,506
Beneficial interests in assets held in trusts	$ -	$ -	$ 8,216,855	$ 8,216,855

(4) Investments and fair value of financial instruments (continued)

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 30, 2022:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ -	$ -	$ -	369,407
Mutual funds:				
Equity funds	11,119,369	-	-	11,119,369
Small cap	12,345,384	-	-	12,345,384
Large cap	5,260,697	-	-	5,260,697
Total mutual funds	28,725,450	-	-	28,725,450
Certificates of deposit	468,009	1,632,353	-	2,100,362
Fixed income:				
Government bonds	111,106	2,241,740	-	2,352,846
U.S. Treasury note	2,655,664	-	-	2,655,664
Total fixed income	2,766,770	2,241,740	-	5,008,510
Total investments at fair value	$ 31,960,229	$ 3,874,093	$ -	$ 36,203,729
Beneficial interests in remainder trusts	$ -	$ -	$ 837,820	$ 837,820
Beneficial interests in assets held in trusts	$ -	$ -	$ 8,717,158	$ 8,717,158

The Council has no other financial instruments subject to fair value measurement on a recurring basis as of September 30, 2023 and 2022.

(5) Beneficial interests in assets held in trusts and remainder trusts

At September 30, 2023, the Council is the sole beneficiary of the income earned on the assets of an irrevocable trust. Under the terms of one of the trust agreements, the trustee may also distribute principal balances, at the trustee's sole discretion, as long as the payments are used to provide food and shelter to the needy.

During fiscal 2022 and 2023, the court approved a petition to terminate two irrevocable trusts. As part of the agreements, the Council agreed to transfer these assets to a permanent endowment. For one trust, the transfer was in process at September 30, 2022 and was completed in fiscal 2023. For the second trust, the transfer was completed at September 30, 2023.

The Council has been named as a joint beneficiary of assets held in two remainder trust agreements. The remainder trust agreements are held by third-party trustees and then adjusted for the Council's interest in the assets. The Council is to receive either interest payments or a portion of the assets annually over the specified terms in the remainder trust agreements and a remainder interest in the assets at the end of the trusts' term. Upon the termination of the remainder trust agreements, the remaining trust assets are distributed.

(5) Beneficial interests in assets held in trusts and remainder trusts (continued)

Beneficial interests in assets held in trust consist of the following at September 30:

	2023	2022
Sole beneficiary of irrevocable non-perpetual trusts	$ 8,216,855	$ 8,708,821
Joint beneficiary of one irrevocable perpetual trust	-	8,337
Total beneficial interests in assets held in trusts	$ 8,216,855	$ 8,717,158
Beneficial interest in two remainder trusts	$ 872,506	$ 837,820

The income and losses from the trusts consist of the following:

Change in the fair value of the trust assets:	2023	2022
Assets held in trusts	$ 529,859	$ (1,539,280)
Remainder trusts	34,686	(375,013)
Total change in the fair value of the trusts' assets	$ 564,545	$ (1,914,293)
Income from trusts	$ 769,989	$ 74,173

(6) Property and equipment

Property and equipment consist of the following at September 30:

Cost or donated value	2023	2022
Land	$ 6,773,601	$ 5,875,990
Buildings and improvements	20,555,981	20,583,499
Equipment	5,994,404	5,425,669
Automobiles and trucks	861,458	706,446
Website/software	816,361	637,361
Leasehold improvements	296,016	279,216
Construction in progress	4,574,574	699,644
Total	39,872,395	34,207,825
Less: Accumulated depreciation and amortization	(13,306,141)	(12,135,489)
Total property and equipment, net	$ 26,566,254	$ 22,072,336

Depreciation and amortization expense totaled $1,244,424 and $1,127,646 for the years ended September 30, 2023 and 2022, respectively.

Construction in progress at September 30, 2023 relates primarily to the Ozanam Manor II project which entails the Council's expansion of their existing 60-bed Ozanam Manor transitional housing program to include 100 additional beds and extensive wrap-around support services in a new location on the Council's campus. In December 2022, the Council created Oz II, LLC a new legal entity which is a wholly owned subsidiary of the Council. The Council's intent is to ultimately move the completed facility into the Oz II, LLC entity and then lease the facility from Oz II, LLC to the Council. In February 2023, the Council entered into a construction contract with a contractor for approximately $16.5 million.

(6) Property and equipment (continued)

The Ozanam Manor II project has a total cost of approximately $19 million and is anticipated to be completed in 2024. The project is being largely funded through grants from Maricopa County, the State of Arizona, and the City of Phoenix. In accordance with the grant agreement, Ozanam Manor II has a 10-year restrictive covenant requiring that the property be devoted to transitional housing for low- and moderate-income persons beginning with the date of receipt of the certificate of occupancy.

(7) Charitable gift annuities

At September 30, 2023 and 2022, the Council administered 101 and 95 charitable gift annuities, respectively. The assets contributed under the charitable gift annuities are carried at fair value. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a 6% discount rate which reflects the fair value as determined at the time the annuities are established, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the charitable gift annuities is $1,658,833 and $1,767,512 at September 30, 2023 and 2022, respectively.

(8) Lines of credit

In July 2022, the Council entered into a line of credit with a bank maturing in July 2023. The line of credit has a maximum borrowing limit of $2,000,000 and accrues interest at a variable rate equal to the prime rate as published in the Wall Street Journal. The prime rate as published in the Wall Street Journal was 8.50% and 6.25% as of September 30, 2023 and 2022, respectively. The line of credit is secured by the Council's real and personal property and is subject to certain financial covenants. As of September 30, 2023 and 2022, there was no amount outstanding under the line of credit. The line of credit was extended through October 2023 at which time it was not renewed.

In May 2018, the Council entered into a revolving line of credit with a bank maturing May 2025. The line of credit has a maximum borrowing limit of $2,000,000 decreasing by $2,083 per month commencing after June 2018 and accrues interest at a fixed rate of 4.25%. The maximum borrowing limit was $1,866,688 and $1,891,984 as of September 30, 2023 and 2022, respectively. The line of credit is secured by the Council's personal property under a Deed of Trust and is subject to certain financial covenants. As of September 30, 2023 and 2022, there were no amounts outstanding under the line of credit.

In May 2018, the Council entered into a line of credit with a bank that matured in April 2022 and was not renewed. The line of credit had a maximum borrowing limit of $4,000,000 and accrued interest at a fixed rate of 4.25% on outstanding advances. The line of credit was secured by the Council's real and personal property and is subject to certain financial covenants. At September 30, 2022, there were no amounts outstanding under the line of credit.

(9) Leasing activity

The Council leases equipment, facilities, and vehicles under operating lease agreements that expire through September 2026. Most leases include one or more options to renew. The exercise of lease renewal options is at the Council’s sole discretion. Only lease options that the Council believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. Right-of-use assets and liabilities for leases that are less than one year are not recorded.

(9) Leasing activity (continued)

The Council used risk-free rates ranging from 4.05% to 4.94% for the lease included in the future commitments below in order to determine the present value of the lease liability. The rates used were the daily yield rate for U.S. Treasury bonds as of October 1, 2022 or the lease commencement date, with terms approximating the lease terms. Lease terms range from 15 to 48 months.

Operating lease expense and operating cash flow paid to fulfill operating lease commitments were approximately \$428,000 and \$399,000, respectively, for the year ended September 30, 2023.

Future minimum payments under these non-cancelable operating leases as of September 30, 2023 are as follows:

Years Ending September 30,		
2024	$	294,518
2025		214,949
2026		55,424
Total future lease payments		564,891
Less: interest		(23,339)
Present value of operating lease liabilities	$	541,552

The following summarizes the weighted average remaining lease term, discount rate, and maturity as of September 30, 2023:

Weighted Average Remaining Lease Term (years)	2.07
Weighted Average Discount Rate	4.25
Latest Maturity	September 2026

Total rental expense under operating leases was \$675,588 for the year ended September 30, 2022.

(10) Net assets and board-designated funds

Board-designated net assets without donor restrictions totaled \$9,957,798 and \$8,589,878 at September 30, 2023 and 2022, and consist of amounts designated as long-term investments for the purpose of building an endowment fund to secure the future of the Council’s mission. The earnings from the long-term investments are currently being reinvested and are also designated for this purpose.

(10) Net assets and board-designated funds (continued)

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

Subject to expenditure for a specified purpose or time:	2023	2022
Time restrictions	$ 5,077,746	$ 4,375,937
Purpose restrictions	8,100,154	3,879,404
Total net assets subject to expenditure for a specified purpose or time	$ 13,177,900	$ 8,255,341
Subject to restriction in perpetuity:		
Medical/Dental clinic operations	$ 6,724,951	$ 6,722,051
Cuernavaca	38,100	35,100
Dining room	289,300	288,300
General	3,385,134	3,299,030
Ministries	499,586	499,586
Vincentian Endowment	2,428,212	2,209,820
Ozanam Manor	259,361	151,682
SVDP First Generation Scholarship Program	205,520	200,520
Chief Executive Officer	5,000,000	5,000,000
Dental Clinic - endowed	3,000,000	1,000,000
Dental Clinic - pledged	1,808,100	3,723,596
Other	1,161,322	182,013
Total net assets subject to restriction in perpetuity	$ 24,799,586	$ 23,311,698
Beneficial interests in assets held in trusts:		
Providing food and shelter to the needy	$ 8,216,855	$ 7,773,466
Any Council	-	935,355
Dining room operations	-	8,337
Total beneficial interests in assets held in trusts	$ 8,216,855	$ 8,717,158
Other:		
Human services campus (land)	$ 1,171,244	$ 1,171,244
Ozanam Manor II (CIP)	4,244,153	463,093
Total net assets with donor restrictions	$ 51,609,738	$ 41,918,534

Net assets released from restriction consisted of the following for the years ended September 30:

	2023	2022
Expiration of time restrictions	$ 1,153,658	$ 9,017,730
Purpose restrictions	1,997,898	2,564,431
Total net assets with donor restrictions released from restriction	$ 3,151,556	$ 11,582,161

(11) Endowments

The Council's endowments consist of several funds established to support operations. Its endowments consist of donor-restricted and board-designated funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Council has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the endowments and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Council in a manner consistent with the standard of prudence prescribed by SPMIFA. The Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Council and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Council
7. The investment policies of the Council

Return objectives and risk parameters
The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Council expects its endowment funds, over time, to provide returns ranging between 4% and 7% annually.

Funds with deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Council to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of September 30, 2023 or 2022.

Spending policy
The Board of Directors has adopted a policy of annually appropriating for expenditures 4% to 7% of the Endowment Funds portfolio balance. The appropriation rate is applied to the one-to-three-year average of the investment portfolio balance, depending on the specific endowment fund and for funds that are not subject to other contractual spending policies in accordance with the Management of Charitable Funds Act of Arizona. The spending policies may be adjusted by the Board as deemed appropriate.

(11) Endowments (continued)

Endowment net asset composition by type of fund as of September 30, 2023 is as follows:

	Without donor restrictions	With donor restrictions	2023 Total
Donor-restricted endowments - held in perpetuity	$ -	$ 21,075,990	$ 21,075,990
Accumulated donor-restricted endowment earnings	-	6,552,533	6,552,533
Board-designated endowment net assets	9,957,798	-	9,957,798
Total	$ 9,957,798	$ 27,628,523	$ 37,586,321

Changes in endowment net assets for the year ended September 30, 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets - beginning of year	$ 8,589,878	$ 21,392,127	$ 29,982,005
Investment return:			
Investment income	516,811	1,377,945	1,894,756
Net appreciation	851,109	2,046,449	2,897,558
Total investment return	1,367,920	3,424,394	4,792,314
Contributions	-	516,079	516,079
Pledge collections	-	2,000,000	2,000,000
Beneficial Interest converted to permanent endowment	-	977,653	977,653
Board-designated contributions	-	-	-
Appropriation of assets for expenditure	-	(681,730)	(681,730)
Endowment net assets - end of year	$ 9,957,798	$ 27,628,523	$ 37,586,321

Endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments - held in perpetuity	$ -	$ 19,588,102	$ 19,588,102
Accumulated donor-restricted endowment earnings	-	1,804,025	1,804,025
Board-designated endowment net assets	8,589,878	-	8,589,878
Total	$ 8,589,878	$ 21,392,127	$ 29,982,005

(11) Endowments (continued)

Changes in endowment net assets for the year ended September 30, 2022 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets - beginning of year	$ 4,503,465	$ 22,512,194	$ 27,015,659
Investment return:			
Investment income	298,223	1,004,195	1,302,418
Net depreciation	(2,429,916)	(4,173,406)	(6,603,322)
Total investment return	(2,131,693)	(3,169,211)	(5,300,904)
Contributions	-	877,131	877,131
Pledge collections		1,000,000	1,000,000
Beneficial Interest converted to permanent endowment	-	172,013	172,013
Board-designated contributions	6,218,106	-	6,218,106
Appropriation of assets for expenditure	-	-	-
Endowment net assets - end of year	$ 8,589,878	$ 21,392,127	$ 29,982,005

(12) Retirement plan

The Council sponsors a defined contribution plan (the Plan) under Section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees who have completed 90 days of service. Under the Plan, employees may contribute up to 25% of their earnings on a pre-tax basis, not to exceed certain federal limitations. The Council will match 50% of the employee's contributions up to 10% of the employee's annual earnings. The Council also makes supplemental contributions of 2% of annual salary under the Plan for employees with one year or more of service as of December 31st each year. The Council may also make additional supplemental contributions from time to time as approved by the Board of Directors. Participants are vested in their contributions and become fully vested in the Council's contributions immediately. The Council's contribution was $730,000 and $647,600 for the years ended September 30, 2023 and 2022, respectively.

(13) Related party transactions

The Council received grants from an organization whose Chief Executive Officer is a member of the Board of Directors of the Council. As a board of trustee member for the awarding agency, the member abstains from voting on any Council related matters. The grant awards totaled $267,300 and $115,250 for 2023 and 2022, respectively. Additionally, the Council had contributions, grants and bequests receivable from this organization totaling $1,000,000 and $2,000,000 as of September 30, 2023 and 2022, respectively.

The Council provides various means of support to various District Councils and Parish Conferences. A service fee is collected for donated food and thrift store items are sold at discounted prices to the District Councils. The District Councils provide the food and these items to their clients at no charge. Funding in the amount of $580,698 and $1,549,743 was also provided to eligible District Councils and Parish Conferences during the years ended September 30, 2023 and 2022, respectively. District Councils tithe 10% of their qualifying revenues to the Council.

(13) Related party transactions (continued)

Accounts receivable of $45,599 and $120,308 as of September 30, 2023 and 2022, respectively, were due from other District Councils and Parish Conferences.

The Council operates a facility as part of the Human Services Campus, Inc. (the "Campus"). The Campus provides leadership and high-quality human services through various service providers including the Council and those in need. The Council also retains two seats on the Board of Directors of the Campus, not subject to Campus approval, and the Council does not exercise control over the Campus. Likewise, the Campus does not control the Council. The Council's share of common expenses was $81,680 and $99,316 during fiscal 2023 and 2022, respectively.

The Council made a loan to a Conference in August 2023. See Note 3.

(14) Liquidity and availability of resources

The Council regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenses over a 12-month period, the Council considers all expenses related to its ongoing activities to be general expenses.

The following table reflects the Council's consolidated financial assets of September 30, 2023 and 2022 available to meet general expenses within one year of the consolidated statement of financial position date:

	2023	2022
Cash and cash equivalents	$ 1,647,045	$ 6,559,271
Accounts receivable, net	362,146	155,413
Contributions, grants and bequests receivable, net	13,006,543	8,568,271
Note receivable	496,251	-
Investments	42,062,206	36,203,729
Total financial assets	57,574,191	51,486,684
Less: contributions, pledges, and grants receivable due in more than one year, net	(1,715,425)	(4,781,714)
Less: board-designated net assets	(9,957,798)	(8,589,878)
Less: net assets with donor restrictions, unavailable for expenses - endowments	(27,628,523)	(21,392,127)
Less: net assets with donor restrictions, unavailable for expenses - purpose restriction	(1,547,621)	(2,075,379)
Financial assets available to meet cash needs for general expenditures within one year	$ 16,724,824	$ 14,647,586

The Council receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenses. The Council manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

(14) Liquidity and availability of resources (continued)

The Council's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenses.

The Council's board-designated endowments funds of $9,957,798 and $8,589,878 as of September 30, 2023 and 2022, respectively, are subject to an annual spending rate of 4% to 7% as described in Note 11. Although the Council does not intend to spend from these funds (other than amounts appropriated for general expenses as part of the Board's annual budget approval and appropriation), these amounts could be made available through Board action.

The Council also maintains a line of credit to fund short-term liquidity needs, see Note 8.

(15) Risks and uncertainties

In the ordinary course of business, the Council may be subject to lawsuits and other potential legal actions. In the opinion of management and outside counsel, such matters will not have a material adverse effect on the consolidated financial position, changes in net assets and net assets of the Council.

The Council participates in several federal and state-assisted grant and contract programs which are subject to financial and compliance audits or reviews. Accordingly, the Council's compliance with applicable grant or contract requirements may be established at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies are determined upon the completion of such audits or reviews.

UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2023

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Federal Expenditures
U.S. Department of Agriculture (USDA)			
Food Distribution Cluster:			
Passed through Arizona Department of Economic Security			
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	$ 129,174
Total U.S. Department of Agriculture (USDA)			129,174
U.S. Department of Homeland Security			
Passed through WHEAT			
Emergency Food and Shelter National Board Program	97.024	LRO#0256-00-010	297,397
Emergency Food and Shelter National Board Program - CR23 IRC	97.024	LRO#0256-00-010	26,130
Emergency Food and Shelter National Board Program - HR23 IRC	97.024	LRO#0256-00-010	183,378
Emergency Food and Shelter National Board Program - HR22 IRC	97.024	LRO#0256-00-010	71,160
Subtotal Assistance Listing Number 97.024			578,065
Total U.S. Department of Homeland Security			578,065
U.S. Department of the Treasury			
Passed through the City of Phoenix			
COVID-19 - Emergency Rental Assistance Program	21.023	ERA0042	695,630
Passed through City of Phoenix			
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,150,760
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Transitional Housing)	21.027	N/A	1,719,999
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Resilient and Sustainable Agrigulture	21.027	N/A	36,180
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Heat Relief Operations)	21.027	N/A	79,124
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Day Heat Relief)	21.027	N/A	587,900
Passed through Maricopa County			
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Additional Shelter Beds)	21.027	VC0000006847	720,102
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Shelter Services)	21.027	N/A	2,223,081
Passed through Arizona Department of Housing			
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	552,684
Subtotal Assistance Listing Number 21.027			7,069,830
Total U.S. Department of the Treasury			7,765,460
U.S. Department of Health and Human Services			
Passed through the Centers for Disease Control and Prevention and the State of Arizona			
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	N/A	25,151
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 8,497,850

See Independent Auditors' Report
See Notes to the Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2023

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*** under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary***, it is not intended to and does not present the consolidated financial position, change in net assets or cash flows of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary***. ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*** did not provide federal awards to sub-recipients during the year ended September 30, 2023.

(2) Summary of significant accounting policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*** has not elected to use the ten percent de minimus indirect cost rate as allowed under the Uniform Guidance.

(3) Assistance listing numbers

The program titles and assistance listing numbers were obtained from the 2023 Assistance Listing.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*** *(the "Organization")*, which comprise the consolidated statement of financial position as of September 30, 2023 and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 9, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

April 9, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ***The Diocesan Council of the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*'s** (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2023. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Mayer Hoffman McCann P.C.
An Independent CPA Firm
4722 N. 24th Street, Suite 300
Phoenix, AZ 85016

Phone: 602.264.6835
Fax: 602.265.7631
mhmcpa.com

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

April 9, 2024

THE DIOCESAN COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF PHOENIX AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2023

Section I – Summary of Auditors' Results

Consolidated Financial Statements

Type of Report the Auditors Issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the consolidated financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of Auditors' Report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	____X____Yes ________No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2023

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings

None noted

Section IV – Status of Prior Years Findings

None