

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
UNIFORM GUIDANCE SUPPLEMENTARY REPORTS**

Year Ended September 30, 2024

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
UNIFORM GUIDANCE SUPPLEMENTARY REPORTS**

Year Ended September 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

THE DIOCESAN COUNCIL FOR 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 for 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, 2024, 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 for the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*** as of September 30, 2024, 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.

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 2023 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent in all material respects, with the audited consolidated 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 May 9, 2025 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.

CBIZ CPAs P.C.

May 9, 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2024
(with summarized comparative totals at September 30, 2023)

	<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents		\$ 6,549,447	\$ 1,647,045
Accounts receivable, net		315,177	362,146
Contributions, grants, and bequests receivable, net		7,307,766	13,006,543
Inventories, net		1,463,689	1,430,103
Investments		52,013,694	42,062,206
Beneficial interest in remainder trusts		969,864	872,506
Beneficial interests in assets held in trusts		9,734,256	8,216,855
Property and equipment, net		42,740,599	26,566,254
Operating lease right of use asset, net		250,470	538,009
Note receivable		473,089	496,251
Other assets		<u>572,507</u>	<u>549,179</u>
TOTAL ASSETS		<u>\$ 122,390,558</u>	<u>\$ 95,747,097</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable		\$ 2,064,915	\$ 1,359,539
Accrued expenses and other liabilities		2,510,416	2,056,838
Operating lease liability		254,844	541,552
Charitable gift annuities payable		<u>1,473,925</u>	<u>1,658,833</u>
TOTAL LIABILITIES		<u>6,304,100</u>	<u>5,616,762</u>
 NET ASSETS			
Without donor restrictions		38,905,369	38,520,597
With donor restrictions		<u>77,181,089</u>	<u>51,609,738</u>
TOTAL NET ASSETS		<u>116,086,458</u>	<u>90,130,335</u>
 TOTAL LIABILITIES AND NET ASSETS		<u>\$ 122,390,558</u>	<u>\$ 95,747,097</u>

See Notes to Consolidated Financial Statements

**THE DIOCESAN COUNCIL FOR 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, 2024
(with summarized comparative totals for the year ended September 30, 2023)

	Without donor restrictions	With donor restrictions	2024 Total	2023 Total
SUPPORT AND REVENUES				
In-kind contributions - food, medical, dental, other	\$ 16,169,662	\$ -	\$ 16,169,662	\$ 13,923,171
In-kind contributions - donated merchandise - retail	4,144,238	-	4,144,238	4,614,482
Donated merchandise sales - retail	4,476,796	-	4,476,796	5,121,692
Bequests and trusts contributions	1,237,839	-	1,237,839	4,546,734
Contributions	13,107,820	26,216,408	39,324,228	26,333,720
Government and other grants	13,348,476	765,000	14,113,476	10,893,551
Interest and dividends	649,613	1,222,660	1,872,273	2,135,337
Realized and unrealized investment gains, net	2,718,946	5,194,075	7,913,021	3,354,746
Change in value of charitable gift annuities	14,025	-	14,025	(111,808)
Earnings on beneficial interest in assets held in trusts and remainder trusts	512,894	-	512,894	769,989
Change in value of beneficial interest in assets held in trusts and remainder trusts	-	1,614,759	1,614,759	564,545
Other	3,741,870	-	3,741,870	1,771,804
Net assets released from restrictions	9,441,551	(9,441,551)	-	-
TOTAL SUPPORT AND REVENUES	69,563,730	25,571,351	95,135,081	73,917,963
EXPENSES				
Program services				
Food reclamation center, food services, dining room and urban farm	22,054,947	-	22,054,947	20,024,304
Retail operations	9,923,313	-	9,923,313	11,119,059
Housing and homelessness prevention	13,587,715	-	13,587,715	12,240,243
Medical/dental clinic	7,608,548	-	7,608,548	6,954,730
Special events and projects	1,002,634	-	1,002,634	1,379,328
Conferences and volunteers	2,906,246	-	2,906,246	2,792,298
Total program services	57,083,403	-	57,083,403	54,509,962
Support services				
Management and administration	5,192,911	-	5,192,911	3,972,760
Fundraising and community relations	6,874,159	-	6,874,159	5,988,054
Total support services	12,067,070	-	12,067,070	9,960,814
TOTAL EXPENSES	69,150,473	-	69,150,473	64,470,776
GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT	(28,485)	-	(28,485)	28,413
CHANGE IN NET ASSETS	384,772	25,571,351	25,956,123	9,475,600
NET ASSETS, BEGINNING OF YEAR	38,520,597	51,609,738	90,130,335	80,654,735
NET ASSETS, END OF YEAR	\$ 38,905,369	\$ 77,181,089	\$ 116,086,458	\$ 90,130,335

See Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2024

	Food Reclamation Center, Food Services, Dining Room, and Urban Farm	Retail Operations	Housing 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 Expenses
Salaries and wages	\$ 3,204,284	\$ 2,924,603	\$ 4,713,954	\$ 1,959,822	\$ 326,135	\$ 1,304,160	\$ 14,432,958	\$ 2,497,077	\$ 2,723,951	\$ 5,221,028	\$ 19,653,986
Employee benefits	832,566	785,516	1,176,412	606,919	74,557	352,862	3,828,832	651,393	675,026	1,326,419	5,155,251
Contract labor	275,260	6,566	987,147	31,810	13,712	75,251	1,389,746	186,910	225,998	412,908	1,802,654
Client costs	3,250,450	373	4,479,746	476,613	332,313	15,690	8,555,185	8,418	267	8,685	8,563,870
Council aid to conferences	-	-	-	-	20,428	682,288	702,716	-	-	-	702,716
Professional services	13,487	9,925	24,683	400,497	26,299	18,077	492,968	369,038	808,265	1,177,303	1,670,271
Equipment and supplies	809,469	100,259	276,261	146,236	25,231	80,030	1,437,486	82,488	73,065	155,553	1,593,039
Vehicle expenses	311,601	368,682	75,307	8,892	1,714	9,247	775,443	12,227	9,193	21,420	796,863
Repairs and maintenance	531,823	94,450	541,000	144,996	6,544	24,851	1,343,664	35,966	20,877	56,843	1,400,507
Computer expenses	27,753	72,386	36,016	34,217	1,185	63,126	234,683	1,030,667	147,773	1,178,440	1,413,123
Occupancy and other	536,667	634,915	392,966	131,520	21,273	39,151	1,756,492	61,839	30,260	92,099	1,848,591
Advertising and marketing	-	-	-	-	-	-	-	-	1,079,902	1,079,902	1,079,902
Retail merchandise	-	316,331	-	-	-	774	317,105	-	-	-	317,105
Other expenses	75,209	174,588	82,381	54,834	4,218	202,442	593,672	74,645	892,021	966,666	1,560,338
Depreciation and amortization	418,765	144,668	285,908	177,486	28,686	26,531	1,082,044	27,111	169,202	196,313	1,278,357
In-kind expense - food	11,072,396	-	-	-	-	-	11,072,396	-	-	-	11,072,396
In-kind expense - merchandise	-	4,144,238	-	-	-	-	4,144,238	-	-	-	4,144,238
In-kind expense - other	695,217	145,813	515,934	3,434,706	120,339	11,766	4,923,775	155,132	18,359	173,491	5,097,266
TOTAL EXPENSES	\$ 22,054,947	\$ 9,923,313	\$ 13,587,715	\$ 7,608,548	\$ 1,002,634	\$ 2,906,246	\$ 57,083,403	\$ 5,192,911	\$ 6,874,159	\$ 12,067,070	\$ 69,150,473

See Notes to Consolidated Financial Statements

**THE DIOCESAN COUNCIL FOR 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		Housing 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 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
Occupancy and other		579,784		743,901		237,971		135,019		22,169		35,555		1,754,399		57,538		23,138		80,676		1,835,075
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 expenses - 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 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

See Notes to Financial Statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended September 30, 2024
(with summarized comparative totals for the year ended September 30, 2023)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,956,123	\$ 9,475,600
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	1,278,357	1,244,424
Non-cash lease expense	287,539	374,795
Net realized and unrealized investment gains	(7,913,021)	(3,354,746)
Change in value of beneficial interest in remainder trust	(97,358)	(34,686)
Change in value of charitable gift annuities	(14,025)	111,808
Net distributions and change in value of beneficial interests in assets held in trusts	(1,517,401)	(529,859)
Contributions restricted to endowment	(2,659,801)	(516,079)
Contributions restricted to investment in property and equipment	(17,935,207)	(3,979,332)
Loss (gain) on sale of property and equipment	28,485	(28,413)
Contributed property and equipment	-	(37,800)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	46,969	(206,633)
Contributions, pledges and grants receivable	4,698,777	(6,438,272)
Inventories	(33,586)	166,105
Other assets	(23,328)	62,680
Accounts payable	202,830	997,141
Accrued expenses and other liabilities	453,578	29,803
Operating lease liability	(286,708)	(371,252)
Charitable gift annuities payable	(170,883)	(220,487)
Net cash provided by (used in) operating activities	<u>2,301,340</u>	<u>(3,255,203)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(17,026,641)	(6,389,000)
Proceeds from sale of equipment	48,000	206,386
Distributions of beneficial interest in trusts corpus	-	1,030,162
Issuance of note receivable	-	(500,000)
Payments on note receivable	23,162	3,749
Purchase of investments	(3,530,969)	(3,607,287)
Proceeds from sale of investments	1,492,502	1,103,556
Net cash used in investing activities	<u>(18,993,946)</u>	<u>(8,152,434)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections on contributions restricted to endowment	3,659,801	2,516,079
Collections on contributions restricted to investment in property and equipment	17,935,207	3,979,332
Net cash provided by financing activities	<u>21,595,008</u>	<u>6,495,411</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,902,402	(4,912,226)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,647,045</u>	<u>6,559,271</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,549,447</u>	<u>\$ 1,647,045</u>
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	\$ 1,013,031	\$ 510,485

See Notes to Consolidated Financial Statements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

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

The Diocesan Council for 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 operates 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 one retail store was closed, and an additional retail store was subsequently closed in fiscal year 2024. As of September 30, 2024, there were five retail stores in operation.

Housing and Homelessness Prevention: The Council operates shelter programs ranging from temporary overnight shelter to transitional housing, which aim to get people off the street and connected to services. Ozanam Manor is a 60-bed transitional shelter designed for those experiencing homelessness who are disabled, a veteran and/or age 50+. These residents receive one-on-one case management, mentoring, group activities and other goal setting programs in a trauma-informed care environment to develop the skills and resources they will need to achieve independent living permanently. In 2024, the Council completed the 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, which is now known as DePaul Manor. Additionally in 2024, the Council closed the Resource Center which provided daily services to the homeless and opened a 71-bed workforce housing shelter in its place serving individuals looking for employment, which is known as Rosalie's Place. The Council also operates a 260-bed temporary overnight shelter providing daily essentials in a dignified and compassionate manner. To prevent families and individuals from having to experience homelessness, plus the emotional trauma that goes with it, the Council also provides emergency rent, mortgage and utility assistance to neighbors in need.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

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

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.

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 working 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 include 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 its 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

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

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.

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, historical experience, current conditions and reasonable and supportable forecasts. 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 expected credit losses was \$3,000 as of September 30, 2024 and 2023.

Contributions and grants receivable - Contributions and grants receivable represent unconditional promises to give (pledges) that are acknowledged in writing by donating parties prior to fiscal year-end 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 current expected credit losses was \$100,000 as of September 30, 2024 and 2023. Two pledges made up 23% and four grantors made up 75% of contributions and grants receivable as of September 30, 2024. One pledge made up 15% and one grantor made up 22% of contributions and grants receivable as of September 30, 2023.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

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

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.

Inventories consist of the following at September 30:

	2024	2023
Food	\$ 920,004	\$ 445,053
Retail products	293,838	410,080
Medical and pharmaceutical supplies	349,847	674,970
	1,563,689	1,530,103
Less inventory reserve	(100,000)	(100,000)
Total inventories	<u>\$ 1,463,689</u>	<u>\$ 1,430,103</u>

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, 2024 and 2023.

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:

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

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.

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, and is 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, 2024 or 2023.

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(with comparative totals for the year ended September 30, 2023)

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

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 statement of activities and change in net assets.

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 at fiscal year-end 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) - The Council presents contributed nonfinancial assets (in-kinds) separately on the consolidated statement of activities and change in net assets in accordance with FASB ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial 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, 2024 and 2023, 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 2023 and 2022 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, 2024 and 2023, 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.

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(with comparative totals for the year ended September 30, 2023)

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

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.

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 120,002 and 109,555 for the years ended September 30, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Total food received in pounds from grocery stores, food drives and government	5,729,118	4,434,901
Estimated market value (per pound)	\$ 1.74	\$ 1.57
 Donated food and grocery products	 \$ 11,072,396	 \$ 9,086,461
Donated merchandise for retail sales	4,144,238	4,614,482
Items for program use	2,004,002	1,908,549
Professional volunteer support	2,446,257	2,190,071
Medical/dental supplies and procedures	647,007	700,290
Donated fixed assets	-	37,800
Total in-kind contributions	<u>\$ 20,313,900</u>	<u>\$ 18,537,653</u>

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.

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(with comparative totals for the year ended September 30, 2023)

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

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.

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, 2024, and 2023 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, 2024 and 2023, bequests receivable are deemed by management to be fully collectible; accordingly, an allowance for uncollectible bequests is not considered necessary. Two bequests comprise 64% of total bequests for the year ended September 30, 2024. 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. Through fiscal year 2024, the Council has received conditional grants totaling \$18,000,000 for the construction of a new transitional shelter, \$18,062,192 for shelter operations, and \$1,000,000 for housing stabilization. At September 30, 2024, the Council had approximately \$6,047,000 that had not been recognized as qualifying expenditures had not yet been incurred. In fiscal year 2023, the Council 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.

At September 30, 2024, four grants comprise 44% of total government and other grant revenue. 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.

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Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

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

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. 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:

<u>Expense</u>	<u>Method of Allocation</u>
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, 2024 and 2023, 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 2021, 2022 and 2023 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 2024 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.

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(with comparative totals for the year ended September 30, 2023)

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

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.

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 adopted Topic 326 in fiscal 2024 with no significant impact on the consolidated financial statements.

Subsequent events - The Council has evaluated events through May 9, 2025, 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, 2024 and 2023. The following is a summary of the contributions, grants and bequests receivable at September 30:

	2024	2023
One year	\$ 6,343,108	\$ 11,291,118
Two to five years	1,475,000	2,404,018
Gross contributions, grants, and bequests receivable	7,818,108	13,695,136
Less: Discount to present value	(410,342)	(588,593)
Less: Allowance for uncollectible pledges	(100,000)	(100,000)
Total contributions, grants, and bequests receivable, net	<u>\$ 7,307,766</u>	<u>\$ 13,006,543</u>

Accounts receivable consist of the following at September 30:

	2024	2023
Receivables from conferences and affiliates	\$ 75,386	\$ 45,599
Other receivables	242,791	319,547
Gross accounts receivable	318,177	365,146
Less: Allowance for uncollectible receivables	(3,000)	(3,000)
Total accounts receivable, net	<u>\$ 315,177</u>	<u>\$ 362,146</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

(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.

Future minimum payments under the agreement as of September 30, 2024 are as follows:

Years Ending September 30,

2025	\$ 24,346
2026	25,592
2027	26,901
2028	28,278
2029	29,724
Thereafter	<u>338,248</u>
	<u>\$ 473,089</u>

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, historical experience, current conditions and reasonable and supportable forecasts. 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, 2024 and 2023, management deemed the note receivable to be fully collectible and accordingly, an allowance for expected credit losses 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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 619,717	\$ -	\$ -	\$ 619,717
Money market fund	49,900	-	-	49,900
Mutual funds:				
Equity funds	17,486,453	-	-	17,486,453
Small cap	20,312,952	-	-	20,312,952
Large cap	7,620,566	-	-	7,620,566
Total mutual funds	45,419,971	-	-	45,419,971
Certificates of deposit	-	1,055,307	-	1,055,307
Fixed income:				
Government bonds	342,868	2,137,966	-	2,480,834
U.S. Treasury note	2,387,965	-	-	2,387,965
Total fixed income	2,730,833	2,137,966	-	4,868,799
Total investments at fair value	<u>\$ 48,820,421</u>	<u>\$ 3,193,273</u>	<u>\$ -</u>	<u>\$ 52,013,694</u>
Beneficial interests in remainder trusts	\$ -	\$ -	\$ 969,864	\$ 969,864
Beneficial interests in assets held in trusts	\$ -	\$ -	\$ 9,734,256	\$ 9,734,256

**THE DIOCESAN COUNCIL FOR THE SOCIETY OF
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(with comparative totals for the year ended September 30, 2023)

(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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 497,733	\$ -	\$ -	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	 <u>\$ 38,826,626</u>	 <u>\$ 3,235,580</u>	 <u>\$ -</u>	 <u>\$ 42,062,206</u>
 Beneficial interests in remainder trusts	 \$ -	 \$ -	 \$ 872,506	 \$ 872,506
Beneficial interests in assets held in trusts	\$ -	\$ -	\$ 8,216,855	\$ 8,216,855

The Council has no other financial instruments subject to fair value measurement on a recurring basis as of September 30, 2024 and 2023.

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

At September 30, 2024, 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.

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(with comparative totals for the year ended September 30, 2023)

(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:

	2024	2023
Sole beneficiary of irrevocable non-perpetual trusts	\$ 9,734,256	\$ 8,216,855
Total beneficial interests in assets held in trusts	<u>\$ 9,734,256</u>	<u>\$ 8,216,855</u>
Beneficial interest in two remainder trusts	<u>\$ 969,864</u>	<u>\$ 872,506</u>

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

	2024	2023
Change in the fair value of the trust assets:		
Assets held in trusts	\$ 1,517,401	\$ 529,859
Remainder trusts	97,358	34,686
Total change in the fair value of the trusts' assets	<u>\$ 1,614,759</u>	<u>\$ 564,545</u>
Income from trusts	<u>\$ 512,894</u>	<u>\$ 769,989</u>

(6) Property and equipment

Property and equipment consist of the following at September 30:

	2024	2023
Cost or donated value		
Land	\$ 6,948,940	\$ 6,773,601
Buildings and improvements	41,123,429	20,555,981
Equipment	6,985,415	5,994,404
Automobiles and trucks	813,458	861,458
Website/software	1,177,177	816,361
Leasehold improvements	260,578	296,016
Construction in progress	13,147	4,574,574
Total	57,322,144	39,872,395
Less: Accumulated depreciation and amortization	(14,581,545)	(13,306,141)
Total property and equipment, net	<u>\$ 42,740,599</u>	<u>\$ 26,566,254</u>

Depreciation and amortization expense totaled \$1,278,357 and \$1,244,424 for the years ended September 30, 2024 and 2023, respectively.

Construction in progress at September 30, 2023 related primarily to the DePaul Manor and Rosalie's Place. DePaul Manor is 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. Additionally in 2024, the Council closed the Resource Center which provided daily services to the homeless and opened a 71-bed workforce housing shelter in its place serving individuals looking for employment, which is known as Rosalie's Place.

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(with comparative totals for the year ended September 30, 2023)

(6) Property and equipment (continued)

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 facilities housing DePaul Manor and Rosalie's Place 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.

The combined DePaul Manor and Rosalie's Place project had a total cost of approximately \$19 million and were completed and placed into service in fiscal 2024. The projects were funded through grants from Maricopa County, the State of Arizona, and the City of Phoenix, as well as contributions. In accordance with the grant agreement, DePaul Manor 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, 2024 and 2023, the Council administered 79 and 101 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 4.8% 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 \$1,473,925 and \$1,658,833 at September 30, 2024 and 2023, respectively.

(8) Lines of credit

In June 2024, the Council entered into a revolving line of credit agreement with a bank maturing May 2025. The line of credit has a maximum borrowing limit of \$1,200,000 decreasing by \$3,333 as of the last day of each calendar month. The maximum borrowing limit was \$1,190,001 as of September 30, 2024. The line of credit bears interest at 6.75% and is secured by the Council's personal property under a Deed of Trust and is subject to certain financial covenants. As of September 30, 2024, there were no amounts outstanding under the line of credit.

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 \$1,841,692 and \$1,866,688 as of September 30, 2024 and 2023, 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, 2024 and 2023, there were no amounts outstanding under the line of credit.

In July 2022, the Council entered into a line of credit with a bank maturing in July 2023. The line of credit had a maximum borrowing limit of \$2,000,000 and accrued 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% as of September 30, 2023. The line of credit was secured by the Council's real and personal property and was subject to certain financial covenants. As of September 30, 2023, 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.

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Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

(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.

The Council used risk-free rates ranging from 4.16% 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.

Operating lease expense, which includes approximately \$25,000 of short-term lease costs, and operating cash flow paid to fulfill operating lease commitments were approximately \$319,000 and \$295,000, respectively, for the year ended September 30, 2024. Operating lease expense, which includes approximately \$25,000 of short-term lease costs, 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, 2024 are as follows:

Years Ending September 30,

2025	\$ 206,112
2026	55,424
Total future lease payments	261,536
Less: interest	(6,692)
Present value of operating lease liabilities	<u>\$ 254,844</u>

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

	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term (years)	1.26	2.07
Weighted Average Discount Rate	4.26%	4.25%
Latest Maturity	September 2026	September 2026

(10) Net assets and board-designated funds

Board-designated net assets without donor restrictions totaled \$12,257,822 and \$9,957,798 at September 30, 2024 and 2023, 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.

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Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

(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:

	2024	2023
Subject to expenditure for a specified purpose or time:		
Time restrictions	\$ 2,496,374	\$ 5,077,746
Purpose restrictions	17,740,469	8,100,154
Total net assets subject to expenditure for a specified purpose or time	<u>\$ 20,236,843</u>	<u>\$ 13,177,900</u>
Subject to restriction in perpetuity:		
Medical/Dental clinic operations	\$ 6,845,220	\$ 6,724,951
Cuernavaca	41,100	38,100
Dining room	290,300	289,300
General	4,946,716	3,385,134
Ministries	499,586	499,586
Vincentian Endowment	3,287,157	2,428,212
Ozanam Manor	284,361	259,361
SVDP First Generation Scholarship Program	211,020	205,520
Chief Executive Officer	5,000,000	5,000,000
Dental Clinic - endowed	4,000,000	3,000,000
Dental Clinic - pledged	808,100	1,808,100
Other	1,251,671	1,161,322
Total net assets subject to restriction in perpetuity	<u>\$ 27,465,231</u>	<u>\$ 24,799,586</u>
Beneficial interests in assets held in trusts:		
Providing food and shelter to the needy	9,734,256	8,216,855
Total beneficial interests in assets held in trusts	<u>\$ 9,734,256</u>	<u>\$ 8,216,855</u>
Other:		
Human services campus (land)	\$ 1,171,244	\$ 1,171,244
Ozanam Manor II	18,573,515	4,244,153
Total net assets with donor restrictions	<u>\$ 77,181,089</u>	<u>\$ 51,609,738</u>

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

	2024	2023
Expiration of time restrictions	\$ 3,193,125	\$ 1,153,658
Purpose restrictions	6,248,426	1,997,898
Total net assets with donor restrictions released from restriction	<u>\$ 9,441,551</u>	<u>\$ 3,151,556</u>

**THE DIOCESAN COUNCIL FOR THE SOCIETY OF
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

(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 GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of September 30, 2024, and 2023.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

(11) Endowments (continued)

Endowment net asset composition by type of fund as of September 30, 2024 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments - held in perpetuity	\$ -	\$ 26,657,131	\$ 26,657,131
Accumulated donor-restricted endowment earnings	-	10,456,820	10,456,820
Board-designated endowment net assets	12,257,822	-	12,257,822
Total	<u>\$ 12,257,822</u>	<u>\$ 37,113,951</u>	<u>\$ 49,371,773</u>

Changes in endowment net assets for the year ended September 30, 2024 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets - beginning of year	\$ 9,957,798	\$ 27,628,523	\$ 37,586,321
Investment return:			
Investment income	374,083	1,222,660	1,596,743
Net appreciation	1,925,941	5,194,075	7,120,016
Total investment return	2,300,024	6,416,735	8,716,759
Contributions	-	2,659,801	2,659,801
Pledge collections	-	1,000,000	1,000,000
Beneficial Interest converted to permanent endowment	-	-	-
Board-designated contributions	-	-	-
Appropriation of assets for expenditure	-	(591,108)	(591,108)
Endowment net assets - end of year	<u>\$ 12,257,822</u>	<u>\$ 37,113,951</u>	<u>\$ 49,371,773</u>

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

	Without donor restrictions	With donor restrictions	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	<u>\$ 9,957,798</u>	<u>\$ 27,628,523</u>	<u>\$ 37,586,321</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

(11) Endowments (continued)

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	<u>\$ 9,957,798</u>	<u>\$ 27,628,523</u>	<u>\$ 37,586,321</u>

(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 approximately \$589,000 and \$730,000 for the years ended September 30, 2024 and 2023, 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 \$333,090 and \$267,300 for 2024 and 2023, respectively. Additionally, the Council had contributions, grants and bequests receivable from this organization totaling \$0 and \$1,000,000 as of September 30, 2024 and 2023, 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 \$623,897 and \$580,698 was also provided to eligible District Councils and Parish Conferences during the years ended September 30, 2024 and 2023, respectively. District Councils tithe 10% of their qualifying revenues to the Council.

**THE DIOCESAN COUNCIL FOR THE SOCIETY OF
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

(13) Related party transactions (continued)

Accounts receivable of \$75,386 and \$45,599 as of September 30, 2024 and 2023, 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 \$90,200 and \$81,680 during fiscal 2024 and 2023, 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, 2024 and 2023 available to meet general expenses within one year of the consolidated statement of financial position date:

	2024	2023
Cash and cash equivalents	\$ 6,549,447	\$ 1,647,045
Accounts receivable, net	315,177	362,146
Contributions, grants, and bequests receivable, net	7,307,766	13,006,543
Note receivable	473,089	496,251
Investments	52,013,694	42,062,206
Total financial assets	66,659,173	57,574,191
Less: note receivable due in more than one year	(448,743)	(473,090)
Less: contributions, pledges, and grants receivable due in more than one year, net	(964,658)	(1,715,425)
Less: board-designated net assets	(12,257,822)	(9,957,798)
Less: net assets with donor restrictions, unavailable for expenses - endowments	(37,113,951)	(27,628,523)
Less: net assets with donor restrictions, unavailable for expenses - purpose restriction	(7,283,649)	(1,547,621)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,590,350</u>	<u>\$ 16,251,734</u>

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.

**THE DIOCESAN COUNCIL FOR THE SOCIETY OF
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

(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 \$12,257,822 and \$9,957,798 as of September 30, 2024 and 2023, 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 lines 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.

Due to the federal government's review and potential restructuring of federal funding priorities, there is uncertainty regarding continuation and amounts of future funding from federal sources. The Council is monitoring policy developments and may need to explore alternative funding sources to mitigate potential impacts.

On April 2, 2025, President Trump signed the Executive Order, *Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits* ("the April 2 EO"), to take action based on the results of certain investigations related to the causes of the U.S.'s large and persistent annual trade deficits in goods. Subsequent to the April 2 EO, there have been additional Executive Orders that have, among other actions, effectively suspended the enforcement of certain country-specific tariffs until July 9, 2025, for all trading partners except for the People's Republic of China. The Council is currently assessing the potential impact of these actions. Additionally, as a result of the impact of these actions on the financial markets, the Council's investment portfolio continues to experience significant volatility.

**UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS**

**THE DIOCESAN COUNCIL FOR THE SOCIETY OF
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2024

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	\$ 122,739
Total U.S. Department of Agriculture (USDA)			<u>122,739</u>
U.S. Department of Homeland Security			
Passed through WHEAT			
Emergency Food and Shelter National Board Program	97.024	LRO#0256-00-010	241,033
Emergency Food and Shelter National Board Program - CR23 IRC	97.024	LRO#0256-00-010	56,082
Emergency Food and Shelter National Board Program - HR23 IRC	97.024	LRO#0256-00-010	106,107
Subtotal Assistance Listing Number 97.024			<u>403,222</u>
Total U.S. Department of Homeland Security			<u>403,222</u>
U.S. Department of the Treasury			
Passed through City of Phoenix			
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	2,806,348
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Transitional Housing)	21.027	N/A	4,275,913
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Heat Relief Operations)	21.027	N/A	43,526
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Employment Services)	21.027	N/A	47,296
Passed through Maricopa County			
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Additional Shelter Beds)	21.027	VC0000006847	4,754,875
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Shelter Services)	21.027	N/A	2,451,226
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds (Heat Relief)	21.027	VC0000006847	33,121
Passed through Arizona Department of Housing			
COVID-19 -Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	325,810
Subtotal Assistance Listing Number 21.027			<u>14,738,115</u>
Total U.S. Department of the Treasury			<u>14,738,115</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 15,264,076</u>

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

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2024

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of ***The Diocesan Council for the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary*** under programs of the federal government for the year ended September 30, 2024. 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 for 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 for the Society of St. Vincent de Paul, Diocese of Phoenix and Subsidiary***. ***The Diocesan Council for 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, 2024.

(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 for 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 2024 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 FOR 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 for 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, 2024 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 May 9, 2025.

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.

CBIZ CPAs P.C.

May 9, 2025



**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 FOR THE SOCIETY OF ST. VINCENT DE PAUL, DIOCESE OF
PHOENIX AND SUBSIDIARY**

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited ***The Diocesan Council for 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, 2024. 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.

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.

CBIZ CPAs P.C.

May 9, 2025

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2024

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
21.027

Name of Federal Program or Cluster
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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2024

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings

None noted

Section IV – Status of Prior Years Findings

None noted