



GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

The Society of St. Vincent de Paul of Portland, Oregon

Financial Statements and Other Information
as of and for the Year Ended September 30, 2016
and Report of Independent Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
The Society of St. Vincent de Paul of Portland, Oregon:*

We have audited the accompanying financial statements of The Society of St. Vincent de Paul of Portland, Oregon, which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

No accounting controls are exercised over the collection of cash receipts and in-kind food donations by the Society's parish-based conferences prior to the initial entry of such receipts in the accounting records. Accordingly, it was impractical to extend our examination of such receipts beyond the amounts recorded. In addition, the reported restricted classification of certain gifts made to the Society's parish-based conferences, and the subsequent

release of those donor-imposed restrictions, were not supported by any independent, verifiable evidence, and we were unable to obtain other support for these representations. Finally, the physical inventory count of the Society's warehouse taken at September 30, 2016 was not supported by sufficient documentary evidence, and we were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects on the 2016 financial statements of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Society of St. Vincent de Paul of Portland, Oregon as of September 30, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedule of activities on page 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, except for the possible effects on the supplementary information of the matters described in the *Basis for Qualified Opinion* paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Summarized Comparative Information

We have previously audited The Society of St. Vincent de Paul of Portland, Oregon's 2015 financial statements, and we expressed a modified audit opinion on those audited financial statements in our report dated March 10, 2016 due to the same circumstances noted in the *Basis for Qualified Opinion* paragraph of this report. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



March 17, 2017

THE SOCIETY OF ST. VINCENT DE PAUL OF PORTLAND, OREGON

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2016

(WITH COMPARATIVE AMOUNTS FOR 2015)

	2016	2015
Assets:		
Cash and cash equivalents	\$ 2,311,312	1,114,084
Investments (<i>note 4</i>)	103,371	96,503
Accounts receivable (<i>note 5</i>)	2,039	1,504
Contributions and bequests receivable (<i>note 6</i>)	186,966	186,268
Inventories	11,469	57,070
Prepaid expenses and deposits	9,504	21,938
Beneficial interest in charitable trusts held by others (<i>note 7</i>)	347,438	316,596
Land, buildings, and equipment (<i>note 8</i>)	2,147,139	2,317,725
Total assets	\$ 5,119,238	4,111,688
Liabilities:		
Accounts payable and accrued expenses	55,638	40,259
Accrued payroll and related expenses	13,365	11,223
Tenant security deposits	13,745	13,620
Deferred revenue	36,384	24
Long-term debt (<i>note 9</i>)	173,324	180,625
Total liabilities	292,456	245,751
Net assets:		
Unrestricted:		
Available for programs and general operations	1,237,938	177,873
Designated by Board (<i>note 10</i>)	2,500	2,500
Funds held by conferences (<i>note 10</i>)	931,213	870,512
Net investment in capital assets	1,973,815	2,137,100
Total unrestricted	4,145,466	3,187,985
Temporarily restricted (<i>note 10</i>)	522,787	520,635
Permanently restricted (<i>note 10</i>)	158,529	157,317
Total net assets	4,826,782	3,865,937
Commitments and contingencies (<i>notes 13, 14, and 15</i>)		
Total liabilities and net assets	\$ 5,119,238	4,111,688

See accompanying notes to financial statements.

THE SOCIETY OF ST. VINCENT DE PAUL OF PORTLAND, OREGON

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			Total	2015
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating revenues, gains, and other support:					
Contributions and bequests	\$ 2,056,478	816,435	—	2,872,913	2,422,195
In-kind contributions of food	4,357,533	—	—	4,357,533	5,265,578
In-kind contributions of materials and services	198,960	—	—	198,960	178,955
Operating interest income	158	—	—	158	198
Contract service fees	—	—	—	—	51,001
Rental income	175,165	—	—	175,165	170,718
Sales of donated goods	9,242	—	—	9,242	19,553
Special events, net of direct costs of \$12,818 in 2016 and \$4,029 in 2015	—	14,260	—	14,260	7,786
Change in the value of beneficial interest in charitable trusts held by others	—	29,630	1,212	30,842	(17,188)
Loss on uncollectible receivable	(67,892)	—	—	(67,892)	—
Other	19,111	—	—	19,111	36,653
Total operating revenues and gains	6,748,755	860,325	1,212	7,610,292	8,135,449
Net assets released from restrictions for operating purposes (note 11)	727,884	(727,884)	—	—	—
Total operating revenues, gains, and other support	7,476,639	132,441	1,212	7,610,292	8,135,449
Expenses (note 12):					
Program services:					
Emergency services	1,888,994	—	—	1,888,994	1,933,015
Food recovery network	4,655,883	—	—	4,655,883	5,687,099
Affordable housing	109,429	—	—	109,429	138,634
Total program services	6,654,306	—	—	6,654,306	7,758,748
Supporting services:					
Management and general	357,739	—	—	357,739	390,843
Fundraising	86,149	—	—	86,149	48,537
Total supporting services	443,888	—	—	443,888	439,380
Total expenses	7,098,194	—	—	7,098,194	8,198,128
Increase (decrease) in net assets before non-operating activities	\$ 378,445	132,441	1,212	512,098	(62,679)

Continued

THE SOCIETY OF ST. VINCENT DE PAUL OF PORTLAND, OREGON

STATEMENT OF ACTIVITIES, CONTINUED

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			Total	2015
	Unrestricted	Temporarily restricted	Permanently restricted		
Non-operating activities:					
Gain on sale of assets	\$ 442,806	–	–	442,806	19,649
Endowment investment return (notes 4 and 10)	–	4,591	–	4,591	(4,423)
Net appreciation in the fair value of investments (note 4)	1,350	–	–	1,350	252
Net assets released from restrictions for capital purposes (note 11)	134,880	(134,880)	–	–	–
Total non-operating activities	579,036	(130,289)	–	448,747	15,478
Increase (decrease) in net assets	957,481	2,152	1,212	960,845	(47,201)
Net assets at beginning of year	3,187,985	520,635	157,317	3,865,937	3,913,138
Net assets at end of year	\$ 4,145,466	522,787	158,529	4,826,782	3,865,937

See accompanying notes to financial statements.

SOCIETY OF ST. VINCENT DE PAUL OF PORTLAND, OREGON

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	Program services			Total
	Emergency services	Food recovery network	Affordable housing	
Salaries and related costs	\$ 127,163	79,780	28,236	235,179
Direct assistance	1,584,256	-	-	1,584,256
Professional fees	2,354	275	20,022	22,651
Supplies and materials	942	72,947	1,407	75,296
Telephone	-	1,567	3,623	5,190
Occupancy	-	-	-	-
Utilities	-	1,759	12,075	13,834
Garbage	-	1,751	5,706	7,457
Repair and maintenance of property	329	17,420	17,863	35,612
Printing and publications	-	-	-	-
Insurance	-	-	4,128	4,128
Property taxes	-	142	-	142
Automobile and other equipment expenses	766	5,102	-	5,868
Conferences, meetings, and training	-	1,830	-	1,830
Travel	10	296	-	306
Advertising and promotion	-	-	453	453
Postage, shipping, and handling	-	-	194	194
Dues and subscriptions	180	-	-	180
Bank charges	-	-	504	504
Interest	-	-	7,660	7,660
Other	-	-	4,959	4,959
Total expenses before depreciation, in-kind contributions, and allocations of indirect costs	1,716,000	182,869	106,830	2,005,699
Depreciation	10	27,270	2,599	29,879
In-kind contributions of food	-	4,357,533	-	4,357,533
In-kind contributions of materials	84,773	-	-	84,773
Allocations of indirect costs	88,211	88,211	-	176,422
Total expenses	\$ 1,888,994	4,655,883	109,429	6,654,306

See accompanying notes to financial statements.

2016

Supporting services					
Management and general	Fundraising	Total	Indirect costs	Total	2015
188,974	7,149	196,123	3,702	435,004	532,979
–	–	–	5,883	1,590,139	1,631,929
51,249	13,383	64,632	109,487	196,770	168,681
4,083	143	4,226	765	80,287	30,514
218	–	218	15,398	20,806	22,206
–	–	–	35,419	35,419	38,539
–	–	–	18,811	32,645	43,390
–	–	–	330	7,787	10,242
1,291	349	1,640	1,586	38,838	68,756
–	1,531	1,531	–	1,531	1,160
3,739	–	3,739	62,247	70,114	65,031
1,780	–	1,780	322	2,244	1,131
1,584	849	2,433	–	8,301	15,032
184	–	184	–	2,014	2,482
1,589	467	2,056	–	2,362	1,782
–	26,158	26,158	70	26,681	34,848
1,244	2,950	4,194	–	4,388	6,208
86	–	86	–	266	2,140
2,428	3,767	6,195	–	6,699	6,863
–	–	–	–	7,660	7,947
11,080	–	11,080	107	16,146	5,599
269,529	56,746	326,275	254,127	2,586,101	2,697,459
–	–	–	39,908	69,787	60,272
–	–	–	–	4,357,533	5,351,143
–	–	–	–	84,773	89,254
88,210	29,403	117,613	(294,035)	–	–
357,739	86,149	443,888	–	7,098,194	8,198,128

THE SOCIETY OF ST. VINCENT DE PAUL OF PORTLAND, OREGON

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from contributors and contractors	\$ 2,960,830	2,730,726
Investment income	1,933	1,929
Cash paid to employees and suppliers	(2,401,391)	(2,621,381)
Interest paid	(7,660)	(7,947)
Net cash provided by operating activities	553,712	103,327
Cash flows from investing activities:		
Purchase of investments	(263,349)	(81,340)
Proceeds from the sale and maturity of investments	262,422	112,406
Reinvested dividend income	(1,775)	(1,731)
Capital expenditures	(1,753,344)	(181,435)
Proceeds from the sale of capital assets	2,296,949	19,816
Net cash provided by (used in) investing activities	540,903	(132,284)
Cash flows from financing activities:		
Repayment of debt principal	(7,301)	(7,014)
Proceeds from contributions restricted to capital assets	109,914	152,326
Net cash provided by financing activities	102,613	145,312
Increase in cash and cash equivalents	1,197,228	116,355
Cash and cash equivalents at beginning of year	1,114,084	997,729
Cash and cash equivalents at end of year	\$ 2,311,312	1,114,084

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

1. Organization

The Society of St. Vincent de Paul of Portland, Oregon is a nonprofit, charitable Catholic organization of lay persons founded in 1869, which provides volunteer services to the needy and suffering. As a community service agency, the Society oversees the efforts of 50 local Conferences and more than 2,000 volunteers, many of whom live within the five-county area that the Society serves – Multnomah, Clackamas, Washington, Clatsop, and Columbia.

The Society is affiliated with the Council of the United States and the International Council General, Society of St. Vincent de Paul, Paris, France, an international Catholic organization of lay persons founded in 1833. Under the patronage of St. Vincent de Paul, the Society seeks, in a spirit of justice and charity and by a person-to-person involvement of its members, to help individuals and families escape a perpetual cycle of poverty that has become almost an accepted way of life for many of those afflicted.

2. Programs

During the year ended September 30, 2016, the Society incurred program service expenses in the following major areas:

Emergency Services – Programs providing rent and utility assistance, food boxes, and other emergency and temporary services to individuals and families in northwest Oregon.

Food Recovery Network – The Food Recovery Network includes all food delivery programs:

Food Bank

Food is collected, stored on-site, and made available to 126 member agencies, including the Society's 50 conferences. Food is received from food drives, general public donations, local businesses, and other partner food distributors within the service area. The Food Bank program downsized in April of 2015.

Food Recovery Program

Over-produced food is collected from restaurants, caterers, hospitals, universities, and food events. The food is then repackaged into meal-size and family portions, labeled, frozen, and made available to the Society's 126 partner agencies.

Mobile Kitchen

The Society's Mobile Kitchen serves free hot, community-based meals three days a week in rural Clackamas and Washington Counties. Current partner distribution sites in Oregon include: Sandy Community Action Center in Sandy; St. Aloysius Catholic Church in Estacada; Canby Service Center in Canby, and St. Matt's Catholic Church in Hillsboro.

Affordable Housing – A 32-unit apartment building in Seaside, Oregon that provides low-income housing for individuals and families in the area.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Society are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Principles of Combining Activities – The accompanying financial statements include the activities of the Society’s conferences and organized neighborhood groups of volunteers, the majority of which are parish-centered, and through which certain of the Society’s services are provided. Conferences receive offerings from the general public and expend funds in accordance with the purposes of the Society. The Society issues directives concerning the utilization of conference funds and requires reports of income and expenses annually. The assets, liabilities, income, and expenses of the parishes to which the individual conferences are attached, and from which they take their name, are not reflected in the accompanying financial statements. All significant inter-organizational investments, accounts, and transactions have been eliminated.

Basis of Presentation – The Society has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of

donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the agency and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Society. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

In-Kind Contributions – The Society receives contributed services from a large number of volunteers who assist in a range of fundraising and program activities. In accordance with FASB ASC No. 958-605, *Revenue Recognition*, the value of such services, which the Society considers not practicable to estimate, has not been recognized in the statement of activities. Significant services received which create or enhance a non-financial asset or require specialized skills that the Society would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Society's activities. Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

During the year ended September 30, 2016, the Society received in-kind contributions totaling \$4,556,493, consisting of \$4,357,533 in contributed food (including \$4,165,607 donated to the conferences), \$91,597 in materials, and \$107,363 associated with services.

Benefits Provided by Donors at Special Events – The organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the organization.

Cash Equivalents – For purposes of the financial statements, the Society considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Society's investment portfolio, and where management's intention is to use the cash to acquire investments to be held long-term, are classified as investments. At September 30, 2016, the Society held \$2,311,312 in cash and cash equivalents. Of this total, \$13,745 represented tenant security deposits.

Outstanding Legacies – The Society is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Society's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

Investments – Investments are reported at fair value. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. Investment income is accrued as earned, and reported net of investment advisory fees. All security transactions are recorded on a trade date basis.

The organization has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Land, buildings, and equipment are carried at cost, and at fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 5 years for furniture, equipment, and computer equipment, 5 years for vehicles, and 40 years for buildings and related improvements.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by a donor. Service revenues are recognized at the time services are provided and the revenues are earned. Bequests are recorded as revenue at the time the Society has an established right to the bequest and the proceeds are measurable.

Operations – Results from operations in the statement of activities reflect all transactions, including increasing or decreasing unrestricted net assets, except those items of a capital nature associated with long-term investment or physical facilities, endowment gifts, endowment investment income, and the net appreciation (decline) in the fair value of investments.

Concentrations of Credit Risk – The Society’s financial instruments consist primarily of cash equivalents, certificates of deposit, and mutual funds, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category. At September 30, 2016, the Society held \$1,077,647 in cash and cash equivalents in excess of FDIC coverage.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization’s management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Endowment Funds and Interpretation of Relevant Law – Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which governs Oregon charitable institutions with respect to the management, investment, and expenditure of endowment funds.

The Board of Directors has interpreted Oregon’s adoption of UPMIFA as requiring the organization to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the organization has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment’s historic dollar value may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted if the terms of the gift impose restrictions on the use of the income, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Net endowment earnings are classified as increases in unrestricted net assets in all other cases. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with FASB ASC No. 958-320 *Investments – Debt and Equity Securities*, the portion of a donor-restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the organization to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by an organization's appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the donor-restricted endowment fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

During the year ended September 30, 2016, the Society's Board of Directors did not appropriate any donor-restricted endowment assets.

Inventories – Inventories, which consist primarily of donated food and clothing, are carried at the lower of cost or market value. Cost is determined based on poundage and an average, per-pound value.

Advertising Expenses – Advertising costs are charged to expense as they are incurred. Advertising expenses totaled \$26,681 for the year ended September 30, 2016.

Income Taxes – The Society is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through March 17, 2017, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2015 – The accompanying financial information as of and for the year ended September 30, 2015 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

4. Investments

Investments consist of the following at September 30, 2016:

Cash equivalents	\$	11,559
Mutual funds		36,812
Certificates of deposit		55,000
	\$	103,371

Investments are held for the following purposes:

Donor-restricted endowment funds	\$	88,420
Unappropriated endowment earnings		9,521
Other investment purposes		5,430
	\$	103,371

Total return on investments for the year ended September 30, 2016 is as follows:

<i>Endowments:</i>		
Interest and dividend income	\$	1,775
Net increase in the fair value of investments		2,816
Total endowment investment return		4,591
<i>Other:</i>		
Net increase in the fair value of investments		1,350
	\$	5,941

5. Accounts Receivable

Accounts receivable at September 30, 2016 represent the following:

Commercial receivables	\$	1,669
Rent receivables		1,370
		3,039
Less allowance for uncollectible accounts		(1,000)
	\$	2,039

6. Contributions and Bequests Receivable

Contributions and bequests receivable represent \$186,966 in unconditional promises expected to be collected in less than one year.

In addition, at September 30, 2016, the Society held an additional grant of \$37,083, which was conditioned upon the incurrence of allowable costs. This grant revenue has not been included in the accompanying financial statements because the associated conditions had not been satisfied as of September 30, 2016.

7. Beneficial Interest in Charitable Trusts Held by Others

At September 30, 2016, the Society was the beneficiary of several irrevocable charitable remainder unitrusts and a perpetual trust established by the wills of donors, as follows:

Long-term receivables from charitable remainder unitrusts ¹	\$ 277,329
Beneficial interest in perpetual trusts ²	70,109
	<hr/> \$ 347,438

¹ The Society has an interest in four charitable remainder unitrusts. Upon the deaths of the income beneficiaries, the Society will receive a portion of the remaining assets of the trusts. Total trust assets at September 30, 2016 are valued at \$3,113,624, of which \$886,234 represents assets allocated to the Society. A beneficial interest in charitable trusts of \$277,329 is recorded at September 30, 2016, representing the actuarially-determined present value of the estimated future cash flows that will inure to the Society, using discount rates between 2.6% and 4.5%. The Society has no control over the investment of trust assets, which are managed by independent third parties.

² The Society also has recorded its interest in a perpetual trust for which the Society has been named a partial beneficiary. The Society's recorded beneficial interest in the perpetual trust is based on the percentage stated in the trust documents, multiplied by the fair market value of the trust assets, which consist of money market, equity securities and real estate at September 30, 2016. The Society has no control over the investment of trust assets, which are managed by an independent third party. In accordance with the terms of the trust, the Society receives distributions of income generated by the trust assets. During the year ended September 30, 2016, the Society received distributions of \$4,078. These distributions have been included among contributions in the statement of activities.

8. Land, Buildings, and Equipment

A summary of land, buildings, and equipment at September 30, 2016 is as follows:

Land	\$ 321,342
Buildings and improvements	1,601,913
Furniture and equipment	98,165
Vehicles	308,756
Computer equipment	34,946
	<hr/> 2,365,122
Less accumulated depreciation	(217,983)
	<hr/> \$ 2,147,139

9. Long-Term Debt

At September 30, 2016, the Society held a note payable to Sterling Savings Bank secured by property. The note accrues interest at 4.25% and is due in monthly installments of principal and interest of \$1,247 through October of 2022, with a balloon payment of \$122,606 due at that time. The principal balance on the note at September 30, 2016 was \$173,324.

Aggregate maturities on the above note for the five years subsequent to September 30, 2016 and thereafter are as follows:

<i>Years ending September 30,</i>	
2017	\$ 7,644
2018	7,979
2019	8,330
2020	8,679
2021	9,078
Thereafter	131,614
	<hr/> \$ 173,324

Interest expense on the note totaled \$7,660 for the year ended September 30, 2016.

10. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

At September 30, 2016, \$2,500 of the Society's unrestricted net assets were designated by the Board of Directors for capital improvements.

Funds Held by Conferences

At September 30, 2016, \$931,213 in cash was held by the Society's conferences.

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2016 total \$522,787 and consist of contributions, grants, and other unexpended revenues and gains restricted by donors and available only for specific program services and future periods, as follows:

Long-term receivables from charitable remainder unitrusts (<i>note 7</i>)	\$ 277,329
Food for Kids	34,610
Mobile kitchen operations	29,312
Capital assets	10,051
Unappropriated endowment earnings	2,889
Unappropriated endowment earnings (held by one of the Society's conferences)	6,632
Other contributions for future periods	161,964
	\$ 522,787

Permanently Restricted Net Assets

At September 30, 2016, the Society held \$158,529 in permanently restricted net assets, including \$70,109 representing the Society's interest in a perpetual trust and \$88,420 in donor-restricted endowment funds, of which \$32,820 represents endowment funds held by one of the Society's conferences. The donor-restricted endowment funds represent the portion of the Society's endowment that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA. The investment return earned on the balances of permanently restricted net assets is generally unrestricted as to purpose. Permanently restricted net assets at September 30, 2016 consist of the following:

Donor-restricted endowment	\$ 88,420
Beneficial interest in perpetual trust (<i>note 7</i>)	70,109
	\$ 158,529

The following summarizes the Society's endowment-related activities for the year ended September 30, 2016:

	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	\$ 4,930	88,420	93,350
Investment return	4,591	-	4,591
Endowment net assets at end of year	\$ 9,521	88,420	97,941

11. Net Assets Released from Restrictions

During the year ended September 30, 2016, the Society incurred \$764,312 in expenses in satisfaction of the restricted purposes, or by occurrence of other events, specified by donors. Accordingly, during the year, a corresponding amount has been reported as a reclassification from temporarily restricted net assets to unrestricted net assets in the accompanying statement of activities, as described in the following table:

For operating purposes	\$	629,432
For capital purposes		134,880
	\$	764,312

12. Expenses

The costs of providing the various programs and other activities of the Society have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by natural classification are presented in the statement of functional expenses.

13. Lease Commitments

The Society is obligated under an operating lease for equipment that ends in 2018. As of September 30, 2016, lease payments under this lease totaled approximately \$259 per month.

At September 30, 2016, the minimum future lease payments to be made under the equipment lease are as follows:

<i>Years ending September 30,</i>		
2017	\$	3,108
2018		1,813
	\$	4,921

Rent expense and equipment lease expense for the year ended September 30, 2016 totaled \$3,108.

14. Retirement Plan

The Society provides substantially all full-time, and certain part-time, employees with a tax-sheltered annuity plan, as described under Section 403(b) of the Internal Revenue Code. The Society provides a matching contribution equal to 50% of the employee's contribution up to 1.0% of the annual compensation of each eligible participant. In order to become eligible for the Society's contribution, a participant must be at least 18 years of age and must complete one year or 1,000 hours of service. All employees may make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law, from their first day of employment. Employees select from several investment options. All contributions to the plan from the employer and from employees vest as accrued. Pension expense for the year ended September 30, 2016 totaled \$504.

15. Conditional Liabilities

During the year ended September 30, 2013, the Society purchased a 32-unit apartment building in Seaside, Oregon. As part of the purchase and sale agreement, the Society agreed to assume all duties and obligations of the seller under an existing regulatory agreement with the State of Oregon Health, Housing, Educational and Cultural Facilities authority, which include certain low-income tenant and reporting requirements. In addition, the Society agreed to assume all rights and obligations of the seller under existing declaration of land use restrictive covenants with the Oregon Housing and Community Services, which include limiting occupancy to certain low-income tenant requirements through the year 2029.

16. Other Commitments and Contingencies

During the year ended September 30, 2016, the Society entered into a construction contract for renovations at their new office building. The contract totaled \$614,727, of which \$202,862 was outstanding at September 30, 2016.

17. Funds Held by the Oregon Community Foundation

The Society has been named a 50% beneficiary of the O'Connor Family Fund. In addition, a conference of the Society has been named a 100% beneficiary of the Gertrude Frazee Fund. Both funds have been established and are held at the Oregon Community Foundation. Beneficiaries of these funds receive a proportionate share of total annual distributions equal to approximately 4.5% of the average fair value of the fund, based on a 13-quarter trailing average. During the year ended September 30, 2016, the Society received \$5,883 from the O'Connor Family Fund, reported as unrestricted contribution revenues. The first distribution from the Gertrude Frazee Fund will be made in July of 2017. These funds are not reflected in the accompanying financial statements because the Oregon Community Foundation retains variance power over the use of the funds; thus, the Society is precluded from recognizing its potential for future distributions.

18. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating

current market inputs for similar financial instruments with comparable terms and credit quality.

The Society's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*.

The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Society's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At September 30, 2016, the following financial assets are measured at fair value on a recurring basis:

		Level 1	Level 2	Level 3	Total
Mutual funds (note 4)	\$	36,812	–	–	36,812
Certificates of deposit (note 4)		–	55,000	–	55,000
Long-term receivables from charitable remainder unitrusts (note 7)		–	–	277,329	277,329
Beneficial interest in perpetual trust (note 7)		–	–	70,109	70,109
	\$	36,812	55,000	347,438	439,250

The change in valuation of Level 3 assets using significant unobservable inputs is as follows:

Fair value at beginning of year	\$ 316,596
Change in the value of beneficial interest in charitable trusts held by others	30,842
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Fair value at end of year	\$ 347,438
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20. Reclassification of 2015 Comparative Totals

Certain 2015 amounts presented herein have been reclassified to conform to the 2016 presentation.



19. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 960,845
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	69,787
Net decline in the fair value of investments	(4,166)
Change in the value of beneficial interest in charitable trusts held by others	(30,842)
Loss on uncollectible receivable	67,892
Gain on sale of assets	(442,806)
Proceeds from contributions restricted to capital assets	(109,914)
<i>Net changes in:</i>	
Accounts receivable	(535)
Contributions and bequests receivable	(68,590)
Inventories	45,601
Prepaid expenses and deposits	12,434
Accounts payable and accrued expenses	15,379
Accrued payroll and related expenses	2,142
Tenant security deposits	125
Deferred revenue	36,360
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Total adjustments	(407,133)
<hr/>	
Net cash provided by operating activities	\$ 553,712
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THE SOCIETY OF ST. VINCENT DE PAUL OF PORTLAND, OREGON

COMBINING SCHEDULE OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

	Portland Council	Conf- erences	Hudson Point	Combining elimination entries	Total
Operating revenues and gains:					
Contributions and bequests	\$ 1,280,947	1,680,901	-	(88,935)	2,872,913
In-kind contributions of food	276,699	4,080,834	-	-	4,357,533
In-kind contributions of materials and services	114,187	84,773	-	-	198,960
Operating interest income	158	-	-	-	158
Rental income	-	-	175,165	-	175,165
Sales of donated goods	33,931	-	-	(24,689)	9,242
Special events, net of direct costs	14,260	-	-	-	14,260
Conference-related revenue	1,448	-	-	(1,448)	-
Change in value of beneficial interest in charitable trusts held by others	30,842	-	-	-	30,842
Loss on uncollectible receivable	(67,892)	-	-	-	(67,892)
Other	29,552	-	6,375	(16,816)	19,111
Total operating revenues and gains	1,714,132	5,846,508	181,540	(131,888)	7,610,292
Expenses:					
Program services:					
Emergency services	299,720	1,708,630	-	(119,356)	1,888,994
Food recovery network	575,049	4,080,834	-	-	4,655,883
Affordable housing	-	-	109,429	-	109,429
Total program services	874,769	5,789,464	109,429	(119,356)	6,654,306
Supporting services:					
Management and general	370,271	-	-	(12,532)	357,739
Fundraising	86,149	-	-	-	86,149
Total supporting services	456,420	-	-	(12,532)	443,888
Total expenses	1,331,189	5,789,464	109,429	(131,888)	7,098,194
Increase in net assets before non-operating activities	382,943	57,044	72,111	-	512,098
Non-operating activities:					
Gain on sale of assets	442,806	-	-	-	442,806
Endowment investment return	259	4,332	-	-	4,591
Net appreciation in the fair value of investments	1,350	-	-	-	1,350
Transfers to Portland Council	67,036	-	(67,036)	-	-
Total non-operating activities	511,451	4,332	(67,036)	-	448,747
Increase in net assets	894,394	61,376	5,075	-	960,845
Net assets at beginning of year	2,894,093	905,631	66,213	-	3,865,937
Net assets at end of year	\$ 3,788,487	967,007	71,288	-	4,826,782

GOVERNING BOARD AND MANAGEMENT

Board of Directors

Bob Gazewood, *President*

Bob Dewar, *Vice President*

Ron Knox, *Vice President*

Gayle Pizzuto, *Secretary*

Joe Bonneville, *Treasurer*

Debbie Fisher

Dennis McNulty

John Moore

Steve Spitulski

Lynn Strand

Management

Brian Ferschweiler

Executive Director

Charlotte Mulder

Accounting Assistant

THE SOCIETY OF ST. VINCENT DE PAUL OF PORTLAND, OREGON

INQUIRIES AND OTHER INFORMATION

Administrative Offices

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