



**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, 2018  
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, 2018, 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.

#### *Qualified Opinion*

In our opinion, except for the possible effects on the 2018 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, 2018, 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 21 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 2017 financial statements, and we expressed a modified audit opinion on those audited financial statements in our report dated March 12, 2018 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, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Gray & Co. LLP". The signature is written in a cursive, flowing style.

April 17, 2019

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

**STATEMENT OF FINANCIAL POSITION**

SEPTEMBER 30, 2018

(WITH COMPARATIVE AMOUNTS FOR 2017)

	<b>2018</b>	<b>2017</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,809,280	1,704,067
Investments <i>(note 4)</i>	1,246,917	1,196,265
Accounts receivable <i>(note 5)</i>	7,369	1,669
Contributions and bequests receivable <i>(note 6)</i>	526,000	105,621
Prepaid expenses and deposits	19,745	24,980
Beneficial interest in charitable trusts held by others <i>(note 7)</i>	367,987	363,212
Land, buildings, and equipment <i>(note 8)</i>	2,174,878	2,267,814
<b>Total assets</b>	<b>\$ 6,152,176</b>	<b>5,663,628</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	50,457	64,927
Accrued payroll and related expenses	13,586	20,421
Tenant security deposits	14,542	14,590
Deferred revenue	15	35,526
Long-term debt <i>(note 9)</i>	157,701	165,681
<b>Total liabilities</b>	<b>236,301</b>	<b>301,145</b>
<b>Net assets:</b>		
Unrestricted:		
Available for programs and general operations	1,716,967	1,463,115
Designated by Board <i>(note 10)</i>	2,500	2,500
Funds held by conferences <i>(note 10)</i>	1,196,583	1,190,680
Net investment in capital assets	2,017,177	2,102,133
<b>Total unrestricted</b>	<b>4,933,227</b>	<b>4,758,428</b>
Temporarily restricted <i>(note 10)</i>	821,649	442,389
Permanently restricted <i>(note 10)</i>	160,999	161,666
<b>Total net assets</b>	<b>5,915,875</b>	<b>5,362,483</b>
Commitments and contingencies <i>(notes 13 and 14)</i>		
<b>Total liabilities and net assets</b>	<b>\$ 6,152,176</b>	<b>5,663,628</b>

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			Total	2017
	Unrestricted	Temporarily restricted	Permanently restricted		
<b>Operating revenues, gains, and other support:</b>					
Contributions and bequests	\$ 1,692,176	1,519,266	—	3,211,442	2,939,542
In-kind contributions of food	4,895,885	—	—	4,895,885	4,326,693
In-kind contributions of materials and services	184,372	—	—	184,372	219,467
Operating interest income	13,522	—	—	13,522	427
Rental income	198,638	—	—	198,638	191,831
Sales of donated goods	1,227	—	—	1,227	5,775
Special events, net of direct costs of \$14,028 in 2018 and \$13,957 in 2017	—	26,389	—	26,389	18,669
Change in value of beneficial interest in charitable trusts held by others	—	5,442	(667)	4,775	52,498
Other	5,677	—	—	5,677	8,452
Total operating revenues and gains	6,991,497	1,551,097	(667)	8,541,927	7,763,354
Net assets released from restrictions for operating purposes ( <i>note 11</i> )	1,173,258	(1,173,258)	—	—	—
Total operating revenues, gains, and other support	8,164,755	377,839	(667)	8,541,927	7,763,354
<b>Expenses (<i>note 12</i>):</b>					
Program services:					
Emergency services	2,548,533	—	—	2,548,533	2,110,747
Food recovery network	4,887,674	—	—	4,887,674	4,538,368
Affordable housing	93,672	—	—	93,672	113,334
Total program services	7,529,879	—	—	7,529,879	6,762,449
Supporting services:					
Management and general	372,284	—	—	372,284	368,125
Fundraising	88,318	—	—	88,318	99,200
Total supporting services	460,602	—	—	460,602	467,325
Total expenses	7,990,481	—	—	7,990,481	7,229,774
Increase (decrease) in net assets before non-operating activities	\$ 174,274	377,839	(667)	551,446	533,580

*Continued*

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

**STATEMENT OF ACTIVITIES, CONTINUED**

YEAR ENDED SEPTEMBER 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			Total	2017
	Unrestricted	Temporarily restricted	Permanently restricted		
<b>Non-operating activities:</b>					
Endowment investment return <i>(notes 4 and 10)</i>	\$ -	1,421	-	1,421	2,121
Net appreciation in the fair value of investments	525	-	-	525	-
Total non-operating activities	525	1,421	-	1,946	2,121
Increase (decrease) in net assets	174,799	379,260	(667)	553,392	535,701
Net assets at beginning of year	4,758,428	442,389	161,666	5,362,483	4,826,782
Net assets at end of year	\$ 4,933,227	821,649	160,999	5,915,875	5,362,483

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED SEPTEMBER 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018									
	Program services				Supporting services			Indirect costs	Total	2017
	Emergency services	Food recovery network	Affordable housing	Total	Management and general	Fundraising				
Salaries and related costs \$	164,105	50,039	21,528	235,672	201,094	40,426	–	477,192	469,271	
Direct assistance	2,034,962	–	–	2,034,962	–	–	–	2,034,962	1,751,499	
Professional fees	3,564	154	26,984	30,702	32,004	7,488	83,558	153,752	207,817	
Supplies and materials	1,466	30,184	1,656	33,306	19,079	200	70	52,655	44,677	
Telephone	53	246	4,174	4,473	410	–	11,643	16,526	20,200	
Utilities	–	–	11,285	11,285	–	–	14,132	25,417	23,932	
Garbage	–	–	5,922	5,922	–	–	1,677	7,599	7,109	
Repair and maintenance of property	34	471	6,031	6,536	1,568	570	3,512	12,186	30,564	
Printing and publications	227	–	–	227	878	140	–	1,245	882	
Insurance	3,803	2,418	363	6,584	3,848	–	53,855	64,287	51,158	
Property taxes	–	114	–	114	815	–	104	1,033	2,033	
Automobile and other equipment expenses	1,115	5,288	–	6,403	1,691	1,230	36	9,360	10,048	
Conferences, meetings, and training	–	–	–	–	4,514	234	–	4,748	8,507	
Travel	53	18	543	614	1,299	–	–	1,913	2,116	
Advertising and promotion	395	–	679	1,074	–	11,934	1,292	14,300	27,860	
Postage, shipping, and handling	–	–	354	354	394	2,470	–	3,218	3,721	
Dues and subscriptions	–	–	–	–	99	–	–	99	450	
Bank charges	11	–	260	271	2,928	2,805	–	6,004	3,586	
Interest	–	–	6,378	6,378	–	–	–	6,378	7,318	
Other	–	–	4,822	4,822	193	66	–	5,081	22,254	
Total expenses before depreciation, in-kind contributions, and allocations of indirect costs	2,209,788	88,932	90,979	2,389,699	270,814	67,563	169,879	2,897,955	2,695,002	
Depreciation	1,655	40,401	2,693	44,749	–	–	60,735	105,484	101,389	
In-kind contributions of food	162,912	4,732,973	–	4,895,885	–	–	–	4,895,885	4,326,693	
In-kind contributions of materials	91,157	–	–	91,157	–	–	–	91,157	106,690	
Allocations of indirect costs	83,021	25,368	–	108,389	101,470	20,755	(230,614)	–	–	
Total expenses	\$ 2,548,533	4,887,674	93,672	7,529,879	372,284	88,318	–	7,990,481	7,229,774	

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS**

YEAR ENDED SEPTEMBER 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Cash received from contributors, contractors, and other sources	\$ 2,995,763	3,295,807
Interest income	16,403	1,598
Cash paid to employees and suppliers	(2,828,460)	(2,575,681)
Interest paid	(6,378)	(7,318)
Net cash provided by operating activities	177,328	714,406
<b>Cash flows from investing activities:</b>		
Purchase of investments	(1,303,036)	(1,284,885)
Proceeds from the sale and maturity of investments	1,260,224	194,112
Reinvested dividend income	(8,775)	(1,171)
Capital expenditures	(12,548)	(222,064)
Net cash used in investing activities	(64,135)	(1,314,008)
<b>Cash flows from financing activities:</b>		
Repayment of debt principal	(7,980)	(7,643)
Net cash used in financing activities	(7,980)	(7,643)
Increase (decrease) in cash and cash equivalents	105,213	(607,245)
Cash and cash equivalents at beginning of year	1,704,067	2,311,312
Cash and cash equivalents at end of year	\$ 1,809,280	1,704,067

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

### 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 48 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, 2018, the Society incurred program service expenses in the following major areas:

**Emergency Services** – Rent and utility assistance which provides relief to clients who are facing difficulty meeting their rent or who face imminent eviction. Utility assistance is provided to prevent service shut off.

**St Louise Food Pantry** – Provides food assistance to families struggling with food insecurity. Food is either purchased through Oregon Food Bank or donated from generous business partners. Oregon Food Bank and USDA guidelines are followed to ensure families receive adequate amounts of nutritionally-balanced food.

**Mobile Kitchen** – The Society’s Mobile Kitchen serves free, hot and nutritious meals three days a week in rural Clackamas and Washington Counties. Current partner distribution sites in Oregon include: St. Aloysius Catholic Church in Estacada; Canby Service Center in Canby, St. Matt’s Catholic Church in Hillsboro, and Holy Trinity Catholic Church in Beaverton.

**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, 2018, the Society received in-kind contributions totaling \$5,080,257, consisting of \$4,895,885 in contributed food (including \$4,732,973 donated to conferences), \$100,667 in materials (including \$91,157 donated to conferences), and \$83,705 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, 2018, the Society held \$1,809,280 in cash and cash equivalents. Of this total, \$14,542 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, 2018, the Society held \$487,001 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, 2018, 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 \$14,300 for the year ended September 30, 2018.

**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 April 17, 2019, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2017** – The accompanying financial information as of and for the year ended September 30, 2017 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, 2018:

Cash equivalents	\$ 111,935
Mutual funds	41,867
Equities	38,115
Certificates of deposit	1,055,000
	\$ 1,246,917

Investments are held for the following purposes:

Donor-restricted endowment funds	\$ 88,420
Unappropriated endowment earnings	13,063
Other investment purposes	1,145,434
	\$ 1,246,917

Total return on investments for the year ended September 30, 2018 is as follows:

<i>Endowments:</i>	
Interest and dividend income	\$ 2,881
Net decline in the fair value of investments	(1,460)
	Total endowment investment return
	\$ 1,421

## 5. Accounts Receivable

Accounts receivable at September 30, 2018 represent the following:

Commercial receivables	\$ 7,279
Rent receivables	190
	7,469
Less allowance for uncollectible accounts	(100)
	\$ 7,369

## 6. Contributions and Bequests Receivable

Contributions and bequests receivable represent \$526,000 in unconditional promises expected to be collected in less than one year.

In addition, at September 30, 2018, the Society held a grant of \$50,000, which was conditioned upon reaching a certain fundraising goal. This grant's revenue has not been included in the accompanying financial statements because the associated conditions had not been satisfied as of September 30, 2018.

## 7. Beneficial Interest in Charitable Trusts Held by Others

At September 30, 2018, 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 <sup>1</sup>	\$ 295,408
Beneficial interest in perpetual trusts <sup>2</sup>	72,579
	\$ 367,987

<sup>1</sup> 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, 2018 are valued at \$2,503,040, of which \$897,768 represents assets allocated to the Society. A beneficial interest in charitable trusts of \$295,408 is recorded at September 30, 2018, 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.

<sup>2</sup> 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, 2018. 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, 2018, the Society received distributions of \$3,592. 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, 2018 is as follows:

Land	\$	321,342
Buildings and improvements		1,808,359
Furniture and equipment		118,153
Vehicles		325,082
Computer equipment		39,247
		<hr/>
		2,612,183
Less accumulated depreciation		(437,305)
		<hr/>
	\$	2,174,878

## 9. Long-Term Debt

At September 30, 2018, 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, 2018 was \$157,701. In October of 2018, the remaining principal balance was paid in full.

Aggregate maturities on the above note for the five years subsequent to September 30, 2018 are as follows:

<i>Years ending September 30,</i>	
	<hr/>
2019	\$ 8,330
2020	8,679
2021	9,078
2022	9,477
2023	122,137
	<hr/>
	\$ 157,701

Interest expense on the note totaled \$6,378 for the year ended September 30, 2018.

## 10. Restrictions and Limitations on Net Asset Balances

### *Board-Designated Net Assets*

At September 30, 2018, \$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, 2018, \$1,157,333 in cash and \$39,250 in investments were held by the Society's conferences.

### *Temporarily Restricted Net Assets*

Temporarily restricted net assets at September 30, 2018 total \$821,649 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> )	\$	295,408
Emergency Services		123,839
Food for Kids		8,339
Unappropriated endowment earnings		4,016
Unappropriated endowment earnings (held by one of the Society's conferences)		9,047
Other contributions for future periods		381,000
		<hr/>
	\$	821,649

### *Permanently Restricted Net Assets*

At September 30, 2018, the Society held \$160,999 in permanently restricted net assets, including \$72,579, which represents 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, 2018 consist of the following:

Donor-restricted endowment	\$	88,420
Beneficial interest in perpetual trust ( <i>note 7</i> )		72,579
	\$	<u>160,999</u>

The following summarizes the Society's endowment-related activities for the year ended September 30, 2018:

	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 11,642	88,420	100,062
Investment return	1,421	–	1,421
Endowment net assets at end of year	\$ 13,063	88,420	<u>101,483</u>

### **11. Net Assets Released from Restrictions**

During the year ended September 30, 2018, the Society incurred \$1,173,258 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.

### **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. 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, 2018 totaled \$700.

### **14. 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.

### **15. 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, 2018, the Society received \$7,709 from the O'Connor Family Fund, reported as unrestricted contribution revenues. In addition, the Society received \$7,173 from the Gertrude Frazee Fund, reported as restricted contribution revenues. 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.

### **16. 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.

In accordance with FASB Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value*, investments valued utilizing the net asset value ("NAV") as a practical expedient are excluded from the hierarchy. At September 30, 2018, the following financial assets are measured at fair value on a recurring basis:

		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Investments at NAV</b>
Mutual funds (note 4)	\$	–	–	–	–	41,867
Equities (note 4)		38,115	–	–	38,115	–
Certificates of deposit (note 4)		–	1,055,000	–	1,055,000	–
Long-term receivables from charitable remainder unitrusts (note 7)		–	–	295,408	295,408	–
Beneficial interest in perpetual trust (note 7)		–	–	72,579	72,579	–
	\$	38,115	1,055,000	367,987	1,461,102	41,867

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

Fair value at beginning of year	\$	363,212
Change in the value of beneficial interest in charitable trusts held by others		4,775
Fair value at end of year	\$	367,987

## 17. 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	\$ 553,392
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	105,484
Net appreciation in the fair value of investments	935
Change in the value of beneficial interest in charitable trusts held by others	(4,775)
<i>Net changes in:</i>	
Accounts receivable	(5,700)
Contributions and bequests receivable	(420,379)
Prepaid expenses and deposits	5,235
Accounts payable and accrued expenses	(14,470)
Accrued payroll and related expenses	(6,835)
Tenant security deposits	(48)
Deferred revenue	(35,511)
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Total adjustments	(376,064)
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Net cash provided by operating activities	\$ 177,328
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THE SOCIETY OF ST. VINCENT DE PAUL OF PORTLAND, OREGON

**COMBINING SCHEDULE OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2018

	Portland Council	Conf- erences	Hudson Pointe	Combining elimination entries	Total
<b>Operating revenues and gains:</b>					
Contributions and bequests	\$ 1,406,257	1,951,324	–	(146,139)	3,211,442
In-kind contributions of food	162,912	4,732,973	–	–	4,895,885
In-kind contributions of materials and services	93,215	91,157	–	–	184,372
Operating interest income	13,522	–	–	–	13,522
Rental income	–	–	198,638	–	198,638
Sales of donated goods	17,910	–	–	(16,683)	1,227
Special events, net of direct costs	26,389	–	–	–	26,389
Conference-related revenue	761	–	–	(761)	–
Change in value of beneficial interest in charitable trusts held by others	4,775	–	–	–	4,775
Other	21,009	–	3,586	(18,918)	5,677
<b>Total operating revenues and gains</b>	<b>1,746,750</b>	<b>6,775,454</b>	<b>202,224</b>	<b>(182,501)</b>	<b>8,541,927</b>
<b>Expenses:</b>					
Program services:					
Emergency services	683,772	2,035,118	–	(170,357)	2,548,533
Food recovery network	154,701	4,732,973	–	–	4,887,674
Affordable housing	–	–	93,672	–	93,672
<b>Total program services</b>	<b>838,473</b>	<b>6,768,091</b>	<b>93,672</b>	<b>(170,357)</b>	<b>7,529,879</b>
Supporting services:					
Management and general	384,428	–	–	(12,144)	372,284
Fundraising	88,318	–	–	–	88,318
<b>Total supporting services</b>	<b>472,746</b>	<b>–</b>	<b>–</b>	<b>(12,144)</b>	<b>460,602</b>
<b>Total expenses</b>	<b>1,311,219</b>	<b>6,768,091</b>	<b>93,672</b>	<b>(182,501)</b>	<b>7,990,481</b>
Increase in net assets before non-operating activities	435,531	7,363	108,552	–	551,446
<b>Non-operating activities:</b>					
Endowment investment return	799	622	–	–	1,421
Net appreciation in the fair value of investments	525	–	–	–	525
Transfers to Portland Council	103,060	–	(103,060)	–	–
<b>Total non-operating activities</b>	<b>104,384</b>	<b>622</b>	<b>(103,060)</b>	<b>–</b>	<b>1,946</b>
Increase in net assets	539,915	7,985	5,492	–	553,392
Net assets at beginning of year	4,055,083	1,231,925	75,475	–	5,362,483
<b>Net assets at end of year</b>	<b>\$ 4,594,998</b>	<b>1,239,910</b>	<b>80,967</b>	<b>–</b>	<b>5,915,875</b>

**GOVERNING BOARD AND MANAGEMENT**

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**Board of Directors**

Gayle Pizzuto, *President*

Keith Bailey, *First Vice President*

Bob Dewar, *Second Vice President*

Sherry Kuntz, *Secretary*

Joe Bonneville, *Treasurer*

Debbie Fisher

Sharon Hills

Dennis McNulty

John Moore

Monsignor Rick Paperini

Steve Spitulski

**Management**

Brian Ferschweiler

*Executive Director*

Mike Armentrout

*Accounting Manager*

Charlotte Mulder

*Accounting Assistant*

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

**INQUIRIES AND OTHER INFORMATION**

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**Administrative Offices**

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

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