

**Society of St. Vincent de Paul
in the Archdiocese of Detroit**

**Financial Statements
Year Ended September 30, 2019**

**Society of St. Vincent de Paul
in the Archdiocese of Detroit**

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Society of St. Vincent de Paul in the Archdiocese of Detroit

Contents

Independent Auditor's Report	3
Financial Statements	
Statement of Financial Position	4 - 5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Summary of Significant Accounting Policies	9 - 14
Notes to Financial Statements	15 - 28



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Independent Auditor's Report

To the Board of Trustees of
Society of St. Vincent de Paul in the Archdiocese of Detroit

We have audited the accompanying financial statements of Society of St. Vincent de Paul in the Archdiocese of Detroit (a Michigan non-profit organization), which comprise the statement of financial position as of September 30, 2019, and the related statement 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Society of St. Vincent de Paul in the Archdiocese of Detroit does not maintain detailed records of goods contributed. Accounting principles generally accepted in the United States of America require the Society of St. Vincent de Paul in the Archdiocese of Detroit to record contributed goods as revenue when received and expenses when sold or donated, with any donated goods remaining at year end and recorded on the statement of financial position as inventory. The effects of the failure to record donated goods on the accompanying financial statements have not been determined.

Zwick & Banyai, PLLC

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis of qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Society of St. Vincent de Paul in the Archdiocese of Detroit as of September 30, 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Zwick & Banyai, PLLC

Southfield, Michigan
September 28, 2020

Society of St. Vincent de Paul in the Archdiocese of Detroit

Statement of Financial Position

<i>September 30,</i>	2019
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Assets	
Current Assets	
Cash and cash equivalents	\$ 3,408,511
Accounts receivable, net	38,240
Investments	800,872
Prepaid expenses	122,399

Total Current Assets	4,370,022
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Property and Equipment, net	4,886,423
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Other Assets	
Asset held for sale	102,405
Other	12,544

Total Other Assets	114,949
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	\$ 9,371,394
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*See Independent Auditor's Report, Summary of Significant Accounting Policies
and Notes to Financial Statements.*

Society of St. Vincent de Paul in the Archdiocese of Detroit

Statement of Financial Position

September 30,

2019

Liabilities and Net Assets

Current Liabilities

Accounts payable	
Trade	\$ 372,915
Related parties	20,875
Accrued payroll and related benefits	198,924
Accrued liabilities	159,728
Deferred revenue	370,311
Notes payable, current portion	24,300
Capital lease obligation, current portion	119,000
Land contract payable, current portion	46,500
Pension obligation, current portion	190,149

Total Current Liabilities	1,502,702
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Long-Term Obligations

Notes payable, net of current portion	1,576,320
Capital lease obligation, net of current portion	409,014
Land contract payable, net of current portion	468,460

Total Long-Term Obligations	2,453,794
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Total Liabilities	3,956,496
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Net Assets

Net Assets Without Donor Restrictions

Undesignated	3,936,575
Board designated	800,660

Net Assets With Donor Restrictions	677,663
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Total Net Assets	5,414,898
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\$ 9,371,394

See Independent Auditor's Report, Summary of Significant Accounting Policies and Notes to Financial Statements.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Statement of Activities

	Year Ended September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Other Revenue			
Clothing store sales	\$ 3,551,115	\$ -	\$ 3,551,115
Grants	4,156,295	5,746	4,162,041
Contributions and referrals	1,718,560	58,465	1,777,025
Facility rental	225,413	-	225,413
Conference support	302,502	-	302,502
Memorials and bequests	2,453,370	-	2,453,370
Vehicle sales	24,714	-	24,714
Interest and dividends	45,148	-	45,148
Miscellaneous income	53,202	-	53,202
Realized and unrealized loss on investments	(4,409)	-	(4,409)
Loss on disposal of assets	(5,461)	-	(5,461)
Total Public Support and Other Revenue	12,520,449	64,211	12,584,660
Net Assets Released from Restrictions	50,871	(50,871)	-
Total Public Support, Other Revenue, and Net Assets Released from Restrictions	12,571,320	13,340	12,584,660
Expenses			
Program Services	8,624,737	-	8,624,737
Support Services	967,794	-	967,794
Total Expenses	9,592,531	-	9,592,531
Other Income (Expense)			
Depreciation and amortization expense	(415,232)	-	(415,232)
Total Other Expense	(415,232)	-	(415,232)
Change in Net Assets, Before Change in Pension Liability	2,563,557	13,340	2,576,897
Change in Pension Liability	233,808	-	233,808
Change in Net Assets	2,797,365	13,340	2,810,705
Net Assets - beginning of year,	1,939,870	664,323	2,604,193
Net Assets - end of year	\$ 4,737,235	\$ 677,663	\$ 5,414,898

See Independent Auditor's Report, Summary of Significant Accounting Policies and Notes to Financial Statements.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Schedule of Functional Expenses

For the Year Ended September 30, 2019

	Program Services						Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Thrift Stores	Van Elslander Center	Conference Aid	Camp Operations	Car Donation Program	Journey to Housing		Fund Raising	General and Administrative		
Personnel costs	\$ 1,743,128	\$ 360,697	\$ 124,672	\$ -	\$ -	\$ -	\$ 2,228,497	\$ 259,211	\$ 274,383	\$ 533,594	\$ 2,762,091
Rent	537,531	-	-	-	-	37,452	574,983	27,469	-	27,469	602,452
Supplies	128,864	2,612	3,780	-	-	-	135,256	2,627	11,628	14,255	149,511
Food, clothing, and shelter	-	3,541,332	107,995	-	-	-	3,649,327	-	-	-	3,649,327
Fundraising expenses	-	-	-	-	-	22,315	22,315	-	-	-	22,315
Utilities	229,395	96,397	655	(138)	-	2,155	328,464	1,406	1,005	2,411	330,875
Repairs and maintenance	164,073	79,165	1,259	4,151	-	-	248,648	747	20,196	20,943	269,591
Other direct costs	45,704	80,448	16,449	232,181	-	-	374,782	872	484	1,356	376,138
Advertising and public relations	4,457	2,037	12,909	39	-	1,288	20,730	21,779	1,971	23,750	44,480
Contract and professional fees	65,274	68,357	5,014	-	-	-	138,645	60,956	48,256	109,212	247,857
Interest	55,863	41,733	-	-	-	-	97,596	-	386	386	97,982
Conferences and meetings	23,498	797	208,390	2,393	12,539	-	247,617	8,164	-	8,164	255,781
Transportation	105,818	-	-	-	-	6,198	112,016	-	-	-	112,016
Postage and shipping	1,235	1,823	9,767	-	-	-	12,825	113,572	1,475	115,047	127,872
Insurance	60,814	26,806	4,629	38,495	-	-	130,744	-	14,076	14,076	144,820
Pension expense	161,831	36,954	12,396	-	-	-	211,181	26,098	29,539	55,637	266,818
Travel and entertainment	2,134	95	882	-	-	-	3,111	1,611	1,804	3,415	6,526
Bank fees and finance charges	12,089	5,707	-	-	-	-	17,796	50	8,356	8,406	26,202
Miscellaneous	7,296	171	594	673	-	9,900	18,634	250	12,843	13,093	31,727
Dues and subscriptions	-	-	-	-	-	-	-	13,582	2,998	16,580	16,580
Case management	-	-	-	-	-	32,383	32,383	-	-	-	32,383
Bad debt expense	-	-	-	19,187	-	-	19,187	-	-	-	19,187
Total	\$ 3,349,004	\$ 4,345,131	\$ 509,391	\$ 296,981	\$ 12,539	\$ 111,691	\$ 8,624,737	\$ 538,394	\$ 429,400	\$ 967,794	\$ 9,592,531

See Independent Auditor's Report, Summary of Significant Accounting Policies and Notes to Financial Statements.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Statement of Cash Flows

<i>For the Year Ended September 30,</i>	2019
Cash Flows From Operating Activities	
Change in net assets	\$ 2,810,705
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	415,232
Change in pension liability	(165,365)
Loss on disposal of assets	5,461
Donated interest	(41,733)
Bad debt expense	19,187
Realized and unrealized loss on investments	4,409
Decrease (increase) in cash due to changes in	
Accounts receivable	(12,871)
Pledges receivable	3,481
Prepaid expenses and other assets	(49,965)
Increase (decrease) in cash due to changes in	
Accounts payable	(45,221)
Accrued payroll and related benefits	(8,780)
Accrued liabilities	(93,411)
Deferred revenue	292,987
Net Cash Provided By Operating Activities	3,134,116
Cash Flows From Investing Activities	
Proceeds from sale of property and equipment	30,000
Proceeds from sale of investments	20,087
Purchase of investments	(174,938)
Purchase of property and equipment	(60,944)
Net Cash Used In Investing Activities	(185,795)
Cash Flows From Financing Activities	
Net payment on line of credit	(300,000)
Payments on capital lease obligations	(152,430)
Payments on notes payable	(22,768)
Payments on land contract	(44,218)
Net Cash Used In Financing Activities	(519,416)
Net Increase In Cash and Cash Equivalents	2,428,905
Cash and Cash Equivalents, beginning of year	979,606
Cash and Cash Equivalents, end of year	\$ 3,408,511

See Independent Auditor's Report, Summary of Significant Accounting Policies and Notes to Financial Statements.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Summary of Significant Accounting Policies

Organization

The Society of St. Vincent de Paul in the Archdiocese of Detroit (the "Society") is a member of the International Confederation of the Society of St. Vincent de Paul. The Society is incorporated as a nonprofit in the State of Michigan and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Society oversees ten district councils throughout southeastern Michigan. These councils oversee approximately 144 parish conferences. The conference is a basic unit of the Society. It enables women and men to join together to grow spiritually by offering person-to-person service.

The financial statements of the Society include the operations of the Central Office and Journey to Housing, a program run by the Metro West District Council which originated on October 26, 2015. Any intercompany transactions have been eliminated. No other district councils or conferences are included.

The Central Office of the Society operates the following program services:

Thrift Stores

The thrift stores receive donations of clothing and furniture for purposes of resale and free distribution. The Society operated six thrift stores in southeastern Michigan during 2019.

Camps Ozanam and Stapleton

Camp Ozanam and Camp Stapleton have been operated by the Society for over 90 years. Camp Ozanam provides a free summer camping experience to youth in southeastern Michigan. Camp Stapleton provides a spiritual atmosphere in a rural environment where individuals and groups can experience intellectual and spiritual growth.

Conference Aid

The conference aid staff works with the Society's local conferences to provide food, transportation, and other assistance to individuals.

Car Donation Program

The Society receives proceeds from St. Vincent de Paul's national vehicle donation program. The proceeds are used to fund activities within the Society.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Summary of Significant Accounting Policies

Organization (continued)

Van Elslander Family Center Programs

Van Elslander Family Center is a multiservice center owned and operated by the Society. The Society works in collaboration with other community agencies providing specialized programs to help individuals. Services provided by the Society and community agencies include a thrift store and utility assistance.

The Metro West District operates the following program service:

Journey to Housing

Journey to Housing is designed to help the hidden homeless in our suburban communities. They help families find suitable housing and provide life-skills training to promote fiscal and emotional self-sufficiency.

Basis of Accounting

The accrual basis of accounting has been adopted for the purpose of financial reporting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions:

Net assets that are not subject to or are no longer subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net Assets With Donor Restrictions:

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

Net assets with donor restrictions totaled \$677,663 at September 30, 2019.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of (1) assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and (2) revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Society values its financial assets and liabilities under accounting guidance which established a three-tier hierarchy and prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring the Society to develop its own assumptions. In determining fair value, the Society utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Much of the information used to determine fair values is highly subjective and judgmental in nature and, therefore the results may not be precise. In addition, estimates of cash flows, risk characteristics, credit quality and interest rates are all subject to change. Since the fair values are estimated as of the statement of financial position sheet date, the actual amounts, which will be realized or paid upon settlement or maturity of the related instruments, could be significantly different than the estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Society considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, the amount of cash on deposit in banks may be in excess of the respective financial institution's FDIC insurance limit. The Society has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash. At September 30, 2019, the Organization has \$2,364,421 in cash and cash equivalents in excess of the FDIC limit.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Summary of Significant Accounting Policies

Accounts Receivable	Accounts receivable are recorded for goods and services provided. Outstanding balances are reviewed periodically for collectability based on the financial condition and payment history of customers. It is management's policy to record an allowance against accounts receivable based on anticipated future collections when the realization of the full amount due is in doubt. The allowance for doubtful accounts as of September 30, 2019 was \$20,000. Bad debt expense totaled \$19,187 for the year ended September 30, 2019.
Investments	The Society carries all investments with readily determinable fair values at their values based on quoted prices in active markets (all Level 1 measurements). Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.
Deferred Revenue	The Society receives payments in advance for rent and services to be provided in the future. Such amounts are accounted for as deferred revenue and are recognized in the period the services are provided.
Property and Equipment	Purchased property and equipment is recorded at cost. Property and equipment received as donations are recorded at fair market value at the date of receipt. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the respective assets, which range from three to thirty-nine years. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expense for the year ended September 30, 2019 totaled \$415,232.
Assets Held For Sale	Management has plans to sell certain assets in the Detroit Metropolitan area. The carrying value of these assets held for sale are separately presented in the Statement of Financial Position, and are no longer depreciated.
Board Designated Net Assets	Board designated net assets represent unrestricted funds available for future board approved projects.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Summary of Significant Accounting Policies

Contributions	<p>Contributions received without donor stipulations are reported as support and net assets without donor restrictions. Contributions received with a donor stipulation that limits their use are reported as support and net assets with donor restrictions. When a donor stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions that have donor stipulations that are satisfied in the period the contribution is received are reported as support and net assets without donor restrictions.</p> <p>Donated furniture, clothes, food, and other personal property contributed to the thrift stores and food depots are not recognized as revenue when received nor expense when sold or otherwise disposed as required by generally accepted accounting principles. Revenue is recognized when donated items are sold or when distributed under the referral program.</p>
Contributed Real Estate	<p>At times, the Society receives donated land and property. Real estate is valued at the fair market value at the time of donation.</p>
Grant Revenue	<p>Grant revenue received and determined to be an exchange transaction is recognized as services are provided. Grant proceeds received in excess of that earned is recorded as deferred revenue.</p>
Functional Allocation of Expenses	<p>The costs of providing the Society's programs and other activities have been presented in the Statement of Functional Expenses. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting services. Indirect or shared costs are allocated among the program and support services by a method that best measures the relative degree of benefit.</p>
Volunteer Services	<p>Many individuals volunteer their time and perform a variety of tasks that assist the Society in running its programs. While these services are most important and noteworthy, no value has been recorded for the year ended September 30, 2019.</p>
Advertising and Public Relations	<p>The Society follows the policy of charging the costs of advertising and public relations to expense as incurred. Advertising and public relations amounted to \$44,480 for the year ended September 30, 2019.</p>

Society of St. Vincent de Paul in the Archdiocese of Detroit

Summary of Significant Accounting Policies

Income Taxes

The Society is a nonprofit organization exempt from taxes under section 501(c)(3) of the Internal Revenue Code. There is, therefore, no provision for income taxes in these financial statements. Annually, the Society files Form 990, Return of Organizations Exempt from Income Tax, with the Internal Revenue Service. This form is open for public inspection. The Society believes it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Risks and Uncertainties

In December 2019, a strain of coronavirus, COVID-19, was first reported to have surfaced in Wuhan, China. Despite efforts to contain the virus in China, COVID-19 eventually spread to the United States of America. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. In order to contain the spread of COVID-19, stay-at-home orders were issued which mandated the closing of all businesses that were not classified as "essential" within most U.S. states. As a result, the global economy has been significantly impacted due to the unprecedented challenges posed by the pandemic and the stay-at-home orders. At this point, the extent to which the pandemic continues, and the extent of its impact on the global economy is uncertain, the effects on our financial condition or results of operations is uncertain.

New Accounting Pronouncement

During the year ended September 30, 2019, the Society adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities.

A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 17).

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

1. Fair Value Measurements

ASC Topic 820 provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework for measuring fair value which emphasizes that fair value is a market-based measurement, and not an entity-specific measurement, and requires expanded disclosures about fair value measurements. Accordingly, the Society may use valuation techniques consistent with the market, income and cost approaches to measure fair value. As a basis for considering market assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy are described as follows:

Level 1 Fair Value Measurements

Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. These Level 1 assets represent quoted prices in active markets that the Society has the ability to access.

Equities and Exchange Traded Funds

Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual Funds

Valued using the Net Asset Value (NAV) of shares held by the Fund at year-end. The NAV is based on the value of the underlying assets owned by the fund, minus liabilities, and then divided by the number of shares outstanding. The NAV is quoted on an active market.

Level 2 Fair Value Measurements

Applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, for the asset or liability such as: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in less active markets; or other inputs that can be derived principally from, or corroborated by, observable market data.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

1. Fair Value Measurements (continued)

Level 3 Fair Value Measurements

Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There have been no changes in the methodologies used at September 30, 2019.

The table below segregates all assets as of September 30, 2019 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

Description	9/30/2019	Level 1	Level 2	Level 3
Exchange Traded Funds	\$ 532,577	\$ 532,577	\$ -	\$ -
Mutual Funds	195,635	195,635	-	-
Equities	72,660	72,660	-	-
Total Investments	\$ 800,872	\$ 800,872	\$ -	\$ -

These investments have been pledged as collateral on the line of credit. See Note 4.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

2. Property and Equipment

Following is a summary of property and equipment:

<i>September 30,</i>	2019
Land	\$ 211,516
Land Improvements	127,708
Buildings	8,155,218
Building Improvements	1,849,069
Vehicles	792,799
Furniture and Fixtures	1,149,370
Leasehold Improvements	30,329
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Total Cost	12,316,009
Less: Accumulated Depreciation and Amortization	7,429,586
<hr/>	
Net Carrying Amount	\$ 4,886,423

3. Asset Held For Sale

Real estate, with an aggregate net book value of \$102,405 was held for sale at September 30, 2019. The Society expects to sell this property in the normal course of business. The gain or loss on the disposition of the property will be recorded when the property is sold. The Organization reviews its real estate for impairment annually and has not recognized any impairment on its real estate during 2019.

4. Line of Credit

The Society has a \$600,000 line of credit with Main Street Bank. Interest is charged at the prime rate with a floor of 5% and is payable monthly. Borrowings are secured by specific marketable securities as defined in the agreement. The line of credit is cross collateralized with all other indebtedness with Main Street Bank. The outstanding balance and unpaid interest is due on February 26, 2022. The outstanding balance was \$0 at September 30, 2019.

The line of credit requires the Society to maintain certain covenants. The Society was in violation of one of its covenants and has received a waiver from the bank.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

5. **Notes Payable** Long-term notes payable are summarized as follows:

<i>September 30,</i>	2019
Archdiocese of Detroit	\$ 1,588,103
Alliance Catholic Credit Union Note	12,517
	1,600,620
Less: Current Maturities	24,300
Total Long-Term Notes Payable	\$ 1,576,320

Archdiocese of Detroit Promissory Note

On April 1, 2017, the Society signed an amended promissory note in the amount of \$1,768,103. The amended promissory note is non-interest bearing, with 40 quarterly payments in the amount of \$30,000.

Under the amendment and forbearance agreement, the lender agreed to forbear from enforcing its rights and remedies through September 30, 2017 ("forbearance period") as long as there are no defaults as stated in the agreement. The Society did not default during this period and therefore the lender did not enforce its rights. The two quarterly payments due during the forbearance period will be added to and be due and payable with the balloon balance on April 1, 2022. The next \$30,000 quarterly payment resumed on October 1, 2017.

On October 1, 2018 the terms of the executed promissory note were changed requiring twenty four monthly payments of \$5,000 beginning on October 1, 2018, quarterly payments of \$30,000 beginning on October 1, 2020, with the final payment due on April 1, 2022.

In connection with the amendment to the promissory note, the Society records interest expense using the effective interest rate of 3.25% as a contribution annually from the Archdiocese of Detroit. The Society has recognized \$41,733 as a contribution from the Archdiocese of Detroit for the year ended September 30, 2019.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

5. Notes Payable (continued)

Alliance Catholic Credit Union Note

In May 2016, the Society obtained a note payable from Alliance Catholic Credit Union for \$27,119. Payments of \$404, including interest at 2.29% are payable monthly with the final payment due on April 15, 2022. The note is secured by a specific vehicle as defined in the agreement.

The expected annual maturities on all notes payable at September 30, 2019 are as follows:

2020	\$ 24,300
2021	111,450
2022	1,464,870
	<hr/>
	\$ 1,600,620

Total interest expense for the year ended September 30, 2019 totaled \$97,982.

6. Land Contract Payable

On September 1, 2013, the Society entered into a land contract. The principal balance on that date was \$750,000. Equal payments of principal and interest are payable monthly. Monthly payments are \$5,931 which is a fifteen year amortization of the initial principal with interest to accrue at a rate of five percent per annum. The entire unpaid principal and accrued interest shall be due September 17, 2028. The outstanding balance on the land contract is \$514,960 at September 30, 2019.

The expected annual maturities on the land contract at September 30, 2019 are as follows:

2020	\$ 46,500
2021	49,000
2022	51,000
2023	54,000
2024	57,000
Thereafter	257,460
	<hr/>
	\$ 514,960

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

7. Capital Leases

The Society leases certain fixed assets under capital leases. The economic substance of the leases are that the Society is financing the acquisition of the assets through the leases, and, accordingly, it is recorded in the Society's assets and liabilities.

The following is an analysis of the leased assets included in property and equipment:

	2019
Delivery Trucks	\$ 736,376
Forklift	25,000
	761,376
Less: Accumulated Depreciation	269,849
	\$ 491,527

The minimum future lease payments and present value of the net minimum lease payments are as follows:

<i>Year Ending September 30,</i>	Amount
2020	\$ 141,245
2021	135,472
2022	131,808
2023	131,808
2024	43,686
Total Minimum Lease Payments	584,019
Less: Amount Representing Interest	56,005
Present Value of Net Minimum Lease Payments	528,014
Less: Current Maturities	119,000
Total Long-Term Capital Leases	\$ 409,014

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

8. Related Party Transactions

The Society is charged fees by the National Council to support the National Council's activities. The total charged by the National Council for the year ended September 30, 2019 was \$52,051. As of September 30, 2019, the Society had a balance due to the National Council of \$4,200.

The Society receives support from the Society's District Councils and Local Conferences located within the Metro Detroit area. The support is used for the various programs and the general administration of the Society. The total amount received for the year ended September 30, 2019 was \$392,947. The Society also supports the District Councils, Local Conferences and other affiliates. The total amount paid to support the District Councils, Local Conferences and other affiliates for the year ended September 30, 2019 was \$312,286. As of September 30, 2019, the Society had balances due to conferences totaling \$16,675.

The Society contracted with a certified public accounting firm to perform tax preparation services. A partner of this firm is the Treasurer of the board of trustees. The total amount charged for such services was \$5,370 for the year ended September 30, 2019.

9. Lease Agreements

The Society leases three stores and one baling center. The leases for the thrift stores located in Madison Heights, Port Huron, and Utica are classified as operating leases with lease terms ranging from three to eight years. The baling center is located in Detroit and is classified as an operating lease with lease terms through August 2022. In addition to minimum rental payments, certain leases require reimbursements for real estate taxes and maintenance. The future estimated minimum lease payments are as follows:

<i>Year Ending September 30,</i>	<i>Amount</i>
2020	\$ 445,000
2021	395,000
2022	195,000
2023	127,000
2024	127,000
2025	53,000
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	\$ 1,342,000

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

9. Lease Agreements (continued) Total lease expense on these leases for the year ended September 30, 2019 was \$535,029.

The Society leases office equipment and warehouse equipment accounted for as operating leases. Monthly rentals are \$587 through November 2024. Total rent expense was approximately \$6,266 for the year ended September 30, 2019. Minimum annual future rentals are as follows: 2020 - \$7,042; 2021 - \$7,042; 2022 - \$7,042; 2023 - \$5,253; and 2024 - 776.

10. Employee Benefit Plan The Society has established a defined contribution retirement plan covering substantially all employees meeting eligibility requirements. Participants may make voluntary contributions, not to exceed certain IRS limitations. The plan allows for discretionary matching contributions and non-elective contributions. The Society made cash contributions to the plan for the year ended September 30, 2019 of \$75,000.

11. Pension Plan The Society sponsored a defined benefit retirement plan for substantially all employees who were employed prior to January 1, 2004. The measurement date used for the Company's employee pension plan is September 30.

Net pension cost for the year ended September 30 included the following components:

<i>September 30,</i>	2019
Interest Cost	\$ 116,728
Service Cost	31,041
Expected Return on Plan Assets	(108,634)
Amortization of Prior Service Cost	(19,707)
Amortization of Loss	49,015
Net Periodic Pension Cost	\$ 68,443

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

11. Pension Plan (continued)

The change in benefit obligation, change in fair value of plan assets, funded status and amount recognized in the Statement of Financial Position were as follows:

September 30, 2019

Change in Benefit Obligation	
Beginning Obligation	\$ 2,014,370
Interest Cost	116,728
Benefits Paid	(154,717)
Actuarial Gain	(153,115)

Benefit Obligation at September 30	\$ 1,823,266
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September 30, 2019

Change in Fair Value of Plan Assets	
Beginning Fair Value	\$ 1,658,856
Actual Return on Plan Assets	21,644
Employer Contributions	138,375
Settlement/Fees	(31,041)
Benefits Paid	(154,717)

Plan Assets at September 30	\$ 1,633,117
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Unfunded Benefit Obligation at September 30	\$ (190,149)
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Amounts Recognized in the Statements of Activities - Minimum Pension Liability Adjustment is as follows:

September 30, 2019

Recognized Loss	\$ (49,015)
Recognized Past Service Cost	19,707
Change in Actuarial Calculation	(138,375)
PBO Loss	(153,115)
Asset Loss	86,990

Net Amount Recognized	\$ (233,808)
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Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

11. Pension Plan (continued)

The estimated net actuarial loss and prior service credit for pension benefits that will be amortized from net assets without donor restrictions into net pension costs over the next fiscal year are expected to be \$69,000 and (\$20,000), respectively.

Actuarial assumptions used to determine benefit obligations at September 30 are as follows:

	2019
Weighted average discount rate	6.0%

Actuarial assumptions used to determine net periodic benefit cost for the year ended September 30 are as follows:

	2019
Weighted average discount rate	7.0%
Expected long-term rate of return on plan assets	6.0%

The expected rate of return assumption was selected as an estimate of anticipated future long-term rates of return on plan assets as measured on a market value basis. Factors considered in making this selection include (a) historical long-term rates of return for broad asset classes, (b) actual past rates of return achieved by the plan, (c) the general mix of assets held by the plan, and (d) the stated investment policy for the plan. The selected rate of return is net of anticipated investment-related expenses.

Plan Assets

The Society's pension plan assets are invested in mutual funds, equities, and traded exchange funds at September 30, 2019. The goals of the investment program are to fully fund the obligations to pay retirement benefits in accordance with plan documents and provide returns that, along with appropriate funding from the Society, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

11. Pension Plan (continued)

Cash Flows - Contributions

The Society anticipates making contributions to the pension plan totaling \$233,958 during the fiscal year ending September 30, 2020. These contributions will be required to meet ERISA's minimum funding standards and the estimated quarterly contribution requirements during this period.

Cash Flows - Estimated Future Benefit Payments

Benefit payments, which reflect expected future payments are expected to be paid as follows: 2020 - \$192,000; 2021 - \$183,000; 2022 - \$181,000; 2023 - \$176,000; 2024 - \$171,000 and 2025 - 2029 - \$756,000.

Effective January 1, 2004, the Society elected to freeze the plan such that no additional benefits accrued to existing participants and no new participants may enter the plan. The effect of the amendment to curtail the plan was a reduction in pension benefit obligation of \$323,062. In accordance with generally accepted accounting principles, no curtailment gain was recognized in the accompanying financial statements.

Pension Plan Fair Value Measurements

The following tables provide the fair value measurements of plan assets, as well as the measurement techniques and inputs utilized to measure fair value of these assets, at September 30, 2019. Refer to Note 1 for additional information.

Description	9/30/2019	Level 1	Level 2	Level 3
Exchange Traded Funds	\$ 791,925	\$ 791,925	\$ -	\$ -
Mutual Funds	560,555	560,555	-	-
Cash and Cash Equivalents	142,889	142,889		
Equities	137,748	137,748	-	-
Total Investments	\$ 1,633,117	\$ 1,633,117	\$ -	\$ -

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

12. Net Assets Temporarily restricted net assets consist of the following:

<u>Program</u>	<u>2019</u>
Camp Free Summer	\$ 303,430
North Macomb Support	150,002
Dental Clinic	79,669
Domestic Disaster Relief	48,937
Utility Assistance	47,080
Camp Ozanam Building Fund	23,966
Camp Ozanam	13,960
Transportation Services	5,746
Conferences in Need of Assistance	2,242
High School Awards	1,353
Statue	1,028
Fredrick Ozanam College Scholarships	250
	<u>\$ 677,663</u>

13. Workers' Compensation The Society leases all its employees from a professional employer organization. The Society maintains a workers' compensation policy to cover events that are not handled by the professional employer organization. At September 30, 2019, there were claims pending settlement, however, these claims are expected to be covered under the workers' compensation policy.

14. Labor Agreement The Society has a labor agreement with the United Food and Commercial Workers Union Local 876 for the truck drivers of the Society through October 2, 2022.

15. Management Agreement The Society signed a management agreement with Catholic Youth Organization of the Archdiocese of Detroit, a Michigan non-profit corporation to manage Camp Ozanam and Camp Stapleton. The agreement was signed in February 2017 and will expire on December 31, 2019. The amount paid for the year ended September 30, 2019 totaled \$162,018.

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

16. Supplemental Cash Flow Information	<u>Year Ended September 30,</u>	<u>2019</u>
	Interest Paid	\$ 97,983
17. Liquidity and Availability of Financial Assets	The following reflects the Society's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Society approves that action.	
	<u>September 30,</u>	<u>2019</u>
	Cash and Cash Equivalents	\$ 3,408,511
	Accounts Receivable, collected in less than one year	38,240
	<u>Uncollateralized Investments</u>	<u>100,872</u>
	Total Financial Assets	3,547,623
	Contractual or Donor Imposed Restrictions	
	Donor Imposed Restrictions	(677,663)
	Board Designations	
	<u>Board Designated Net Assets</u>	<u>(800,660)</u>
	Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 2,069,300</u>

Society of St. Vincent de Paul in the Archdiocese of Detroit

Notes to Financial Statements

18. Subsequent Events

As noted in the Risk and Uncertainties paragraph in the Summary of Accounting Policies, the World Health Organization declared the outbreak of COVID-19 a pandemic resulting in the issuance of the stay-at-home orders. In order to help businesses maintain their operations during this stay-at-home order, the government passed the America CARES Act which provided loans to support small businesses and not-for-profit organizations with their expenses for 60 days with the primary goal to keep Americans employed as well as to help with their expenses during this time. Under the CARES Act, the Society applied for support under the Small Business Administration (SBA) Paycheck Protection Program (PPP) and on April 22, 2020, signed a note in the amount of \$569,295 with a local bank. A portion of the loan, if not the full amount, is forgivable, after the Society has submitted a loan forgiveness application and has received approval. In order to any portion of the loan to be forgivable, the loans must be spent in accordance with the CARES Act Loan Forgiveness guidelines. If any portion of the loan is not forgivable, the unforgivable portion of the loan will bear interest at 1% per annum and will be due by April 22, 2022. As of the report date, the Society has not submitted its application for forgiveness. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Society approves that action.

The Society entered into a lease agreement to rent store space in Lincoln Park. Monthly payments are \$2,617 for the eighteen month lease agreement. The lease agreement provides the Society to extend the lease for two additional two year lease terms.

The Society has evaluated events and transactions that occurred between September 30, 2019 and September 28, 2020 which is the date the financial statements were available to be issued for possible recognition or disclosure in the financial statements.