

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS REPORT

SEPTEMBER 30, 2017 AND 2016

SOCIETY OF ST. VINCENT DE PAUL OF GEORGIA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Society of St. Vincent de Paul Georgia, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Society of St. Vincent de Paul Georgia, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 of 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society of St. Vincent de Paul Georgia, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia
July 19, 2018

Brooks, McGinnis & Company, LLC

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,622,579	\$ 1,736,507
Accounts receivable	233,032	272,344
Investments	183,703	164,362
Inventory	623,134	558,944
Prepaid expenses	39,139	34,429
Cemetery lots and mausoleum spaces	160,417	153,417
Property and equipment, net	571,398	627,549
Other assets	24,404	39,880
Total assets	\$ 3,457,806	\$ 3,587,432
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 252,990	\$ 146,475
Accrued expenses	71,130	101,298
Deferred revenue	144,232	175,730
Line of credit payable	155,000	155,000
Notes payable	32,125	56,760
Other liabilities	-	41,869
Total liabilities	655,477	677,132
Commitments and contingencies		
Net assets:		
Unrestricted:		
Available for operations	2,022,115	2,107,350
Board designated	173,703	154,362
Invested in property and equipment, net of debt	539,273	570,789
Total unrestricted	2,735,091	2,832,501
Temporarily restricted	57,238	67,799
Permanently restricted	10,000	10,000
Total net assets	2,802,329	2,910,300
Total liabilities and net assets	\$ 3,457,806	\$ 3,587,432

The accompanying notes are an integral part of these financial statements

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Changes in unrestricted net assets:		
Public support:		
Individuals, private foundations, grants and corporations	\$ 8,742,285	\$ 7,972,613
In-kind donations	3,132,407	2,431,338
Fundraising events, net of expenses	386,949	301,298
Annual collection	276,698	320,767
Estates and memorials	4,018	137,812
Net assets released from restrictions	156,519	159,946
Total public support	12,698,876	11,323,774
Revenue and gains:		
Thrift stores	2,572,009	2,432,746
Investment income	19,244	16,039
Other income	4,117	514
Total revenue and gains	2,595,370	2,449,299
Total public support, revenue and gains	15,294,246	13,773,073
Expenses:		
Program services	13,946,826	12,219,134
Supporting services:		
General and administrative	990,512	645,739
Fundraising	454,318	431,402
Total supporting services	1,444,830	1,077,141
Total expenses	15,391,656	13,296,275
Increase (decrease) in unrestricted net assets	(97,410)	476,798
Changes in temporarily restricted net assets:		
Contributions	145,958	192,145
Net assets released from restrictions	(156,519)	(159,946)
Increase (decrease) in temporarily restricted net assets	(10,561)	32,199
Increase (decrease) in net assets	(107,971)	508,997
Net assets at beginning of year	2,910,300	2,401,303
Net assets at end of year	\$ 2,802,329	\$ 2,910,300

The accompanying notes are an integral part of these financial statements

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services					Supporting Services				
	Direct Aid	Thrift Store Operations	Thrift Store Recycling	Conferences Services	Total Program Services	Administration	Communication	Total General and Administrative	Fundraising	Total Expenses
Salaries	\$ 304,968	\$ 502,202	\$ 42,224	\$ 200,980	\$ 1,050,374	\$ 225,962	\$ 101,261	\$ 327,223	\$ 212,867	\$ 1,590,464
Payroll taxes and benefits	57,396	65,237	3,376	23,234	149,243	145,927	8,119	154,046	43,317	346,606
Direct Aid	1,373,573	5,837	-	9,114,982	10,494,392	1,000	-	1,000	-	10,495,392
Rent	29,273	789,004	32,605	1,677	852,559	22,104	586	22,690	1,906	877,155
Utilities	13,785	247,828	2,582	7,469	271,664	10,051	3,734	13,785	8,621	294,070
Professional fees	1,800	16,488	-	150	18,438	68,994	-	68,994	-	87,432
Supplies	1,435	166,902	2,395	3,030	173,762	29,966	1,184	31,150	104	205,016
Bank fees	157	42,407	-	-	42,564	40,657	-	40,657	5,315	88,536
Dues and subscriptions	100	99	-	923	1,122	130,261	454	130,715	8,953	140,790
Travel	4,202	4,946	28	6,165	15,341	42,310	418	42,728	29,731	87,800
Printing	8,127	7,643	67	2,607	18,444	10,122	-	10,122	38,983	67,549
Advertising	-	6,399	-	-	6,399	14,374	3,090	17,464	16,515	40,378
Repairs and maintenance	300	100,151	-	-	100,451	-	-	-	-	100,451
Technology	-	-	-	11,235	11,235	69,869	171	70,040	34,422	115,697
Insurance	5,939	9,433	699	3,144	19,215	10,132	1,747	11,879	3,843	34,937
Auto expense	15,504	6,292	7,547	-	29,343	-	-	-	511	29,854
Postage	-	17	-	42	59	11,902	-	11,902	14,950	26,911
Events	164	300	-	678	1,142	13,948	25	13,973	20,374	35,489
Training	-	-	-	-	-	375	-	375	-	375
Special projects	195,966	-	-	-	195,966	-	-	-	-	195,966
Non-direct aid	-	5,034	-	418,614	423,648	1,548	-	1,548	-	425,196
Total expenses before depreciation and amortization	2,012,689	1,976,219	91,523	9,794,930	13,875,361	849,502	120,789	970,291	440,412	15,286,064
Depreciation and amortization	21,306	34,943	3,168	12,048	71,465	7,233	12,988	20,221	13,906	105,592
Total expenses	\$ 2,033,995	\$ 2,011,162	\$ 94,691	\$ 9,806,978	\$ 13,946,826	\$ 856,735	\$ 133,777	\$ 990,512	\$ 454,318	\$ 15,391,656
	13%	13%	1%	63%	90%	6%	1%	7%	3%	100%

The accompanying notes are an integral part of these financial statements

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Services					Supporting Services				Total Expenses
	Direct Aid	Thrift Store Operations	Thrift Store Recycling	Conferences Services	Total Program Services	Administration	Communication	Total General and Administrative	Fundraising	
Salaries	\$ 305,500	\$ 483,613	\$ 43,206	\$ 179,177	\$ 1,011,496	\$ 94,927	\$ 78,763	\$ 173,690	\$ 182,409	\$ 1,367,595
Payroll taxes and benefits	33,880	25,403	4,070	19,528	82,881	149,616	9,455	159,071	19,503	261,455
Direct Aid	1,191,011	12,828	-	7,982,852	9,186,691	1,595	-	1,595	36,642	9,224,928
Rent	32,017	692,173	36,131	1,858	762,179	24,497	648	25,145	1,636	788,960
Utilities	14,818	237,322	2,439	7,914	262,493	10,634	4,550	15,184	8,743	286,420
Professional fees	-	-	-	-	-	27,052	-	27,052	-	27,052
Supplies	847	166,762	4,081	5,756	177,446	12,758	230	12,988	1,706	192,140
Bank fees	10,377	43,150	36	207	53,770	37,848	110	37,958	12,713	104,441
Dues and subscriptions	548	-	-	323	871	24,827	485	25,312	6,156	32,339
Travel	4,828	6,137	-	6,577	17,542	42,352	796	43,148	14,069	74,759
Printing	8,402	8,287	67	6,757	23,513	16,488	167	16,655	22,019	62,187
Advertising	1,148	8,270	-	908	10,326	1,024	125	1,149	30,573	42,048
Repairs and maintenance	1,285	46,279	1,259	220	49,043	284	132	416	254	49,713
Technology	-	-	-	35,270	35,270	36,788	107	36,895	-	72,165
Insurance	8,306	13,613	1,240	4,698	27,857	14,729	2,821	17,550	5,421	50,828
Auto expense	11,229	9,335	2,771	-	23,335	-	-	-	107	23,442
Postage	7	32	-	69	108	6,061	300	6,361	12,988	19,457
Events	100	332	-	7,621	8,053	14,662	-	14,662	46,738	69,453
Training	155	-	-	-	155	3,802	-	3,802	1,192	5,149
Committee expense	688	1,127	103	389	2,307	503	234	737	449	3,493
Special projects	110,382	-	-	-	110,382	-	-	-	-	110,382
Non-direct aid	65	3,527	-	295,276	298,868	5,269	-	5,269	13,576	317,713
Total expenses before depreciation and amortization	1,735,593	1,758,190	95,403	8,555,400	12,144,586	525,716	98,923	624,639	416,894	13,186,119
Depreciation and amortization	22,227	36,431	3,318	12,572	74,548	13,550	7,550	21,100	14,508	110,156
Total expenses	\$ 1,757,820	\$ 1,794,621	\$ 98,721	\$ 8,567,972	\$ 12,219,134	\$ 539,266	\$ 106,473	\$ 645,739	\$ 431,402	\$ 13,296,275
	13%	13%	1%	65%	92%	4%	1%	5%	3%	100%

The accompanying notes are an integral part of these financial statements

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (107,971)	\$ 508,997
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	105,592	110,156
Donations of cemetery lots	(7,000)	(2,600)
In-kind donations of cemetery lots	-	1,495
Gain on investments	(19,244)	(12,808)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	39,312	(11,104)
Inventory	(64,190)	(41,445)
Prepaid expenses	(4,710)	(6,058)
Other assets	15,476	(8,689)
Increase (decrease) in liabilities:		
Accounts payable	106,515	(179,325)
Accrued expenses	(30,168)	22,894
Deferred revenue	(31,498)	5,641
Other liabilities	(41,869)	(2,016)
Total adjustments	68,216	(123,859)
Net cash provided by (used in) operating activities	(39,755)	385,138
Cash flows from investing activities:		
Purchase of investments	(97)	(24)
Purchase of property and equipment	(49,441)	(33,470)
Net cash used in investing activities	(49,538)	(33,494)
Cash flows from financing activities:		
Payments on line of credit	-	(20,284)
Principal payments on notes payable	(24,635)	(34,558)
Net cash used in financing activities	(24,635)	(54,842)
Net increase (decrease) in cash and cash equivalents	(113,928)	296,802
Cash and cash equivalents - beginning of year	1,736,507	1,439,705
Cash and cash equivalents - end of year	\$ 1,622,579	\$ 1,736,507
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 22,114	\$ 17,144

The accompanying notes are an integral part of these financial statements

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies

Organization

The Society of St. Vincent de Paul Georgia, Inc. (the “Society”) is a nonprofit organization that has been actively assisting people in metro Atlanta and Georgia since 1903. The Society is part of an international organization of Catholic lay people. The Society’s mission is to respond and reach out to people in need, regardless of their race or religion. The Society strives to equip individuals experiencing a time of hardship with the materials, education and confidence needed to establish financial security and self-sufficiency. The Society serves individuals based on their circumstances through financial assistance, free food, free clothing, other merchandise, transportation assistance or a combination of these services. Over seventy volunteer groups, referred to as St. Vincent de Paul Conferences (the “Conferences”), provide assistance in various locations throughout North Georgia. The Society also operates twelve thrift stores in the Atlanta area where clients may redeem vouchers for free clothing, furniture and household goods. The proceeds from stores are used to help families in need with financial assistance. The Council of the Society of St. Vincent de Paul Georgia, Inc. (the Council) is the administrative segment of the Society. The activities and account balances of the Council, conferences and thrift stores are included in these financial statements.

Basis of Accounting

The financial statements of the Society are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities in conformity with accounting principles generally accepted in the United States of America (GAAP). Under this method of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which they are incurred.

Financial Statement Presentation

In accordance with GAAP, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted, based on stipulations made by the donor.

Contributions

The Society records unconditional promises to give and contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as unrestricted contributions and pledges receivable.

The Society records gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or purchased long-lived assets are placed in service.

Donated Property, Services and Goods

In accordance with GAAP, all non-cash gifts (other than personal services) are recorded at their estimated fair value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased by the Society if not provided by donation.

During the fiscal years ended September 30, 2017 and 2016, donations of specialized services were received and recorded. Also, the Society received donations of vehicles, clothing and food for both sale and free distribution to clients.

Donated property, services and goods consist of the following for the years ending September 30:

	2017	2016
Clothing and food	\$ 2,930,694	\$ 2,206,153
Vehicles	-	36,642
Cemetery lots	7,000	2,600
Furniture	72,395	75,152
Specialized services	827	7,615
Other in-kind - conferences	121,491	103,176
Total donated property, services and goods	\$ 3,132,407	\$ 2,431,338

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. The Society's policy is to allocate indirect administrative expenses incurred to programs and supporting services based on management estimates of effort and expense used to support these activities. Management believes that these estimates and resulting allocations fairly represent the costs and efforts expended on these activities.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Exempt Status

The Society is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, and classified by the Internal Revenue Service as an organization other than a private foundation. In the opinion of management, the Society continues to operate as a tax-exempt organization and, accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements. Income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended September 30, 2017 and 2016, the Society did not have any unrelated business income, and accordingly, no unrelated business income tax.

Management believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements. The Society's income tax returns are subject to examination by the appropriate regulatory authorities, and as of September 30, 2017 and 2016, the Society's federal tax returns remain open to examination for the last three years.

Cash and Cash Equivalents and Concentration of Credit Risk

Cash includes demand accounts at a financial institution and at the Catholic Archdiocese of Atlanta. For purposes of the statement of cash flows, the Society considers all short-term, interest-bearing deposits with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are investments in a common fund account held by the Catholic Archdiocese of Atlanta.

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Cash and Cash Equivalents and Concentration of Credit Risk – Continued

The balance in the Society's bank accounts, as reflected in the bank's records, is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2017 and 2016, the funds in the bank accounts did not exceed this balance. The balances in the demand account at the Catholic Archdiocese of Atlanta at September 30, 2017 and 2016 of \$27,194 and \$224,351, respectively, are not insured by the FDIC.

Accounts Receivable

Accounts receivable consist primarily of annual collection receivables less an allowance for doubtful accounts when applicable. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts, past experience, current economic conditions, and other risks inherent in receivables. Management believes that all accounts receivable are fully collectible at September 30, 2017 and 2016.

Inventory

Inventory consists of donated Thrift Store merchandise and various other supplies. The Society records inventory for donated goods at lower of cost or net realizable value, which is determined based on its future economic benefit.

Cemetery Lots and Mausoleum Spaces

Cemetery lots and mausoleum spaces are donated to the Society and are recorded at fair value at the date of donation. During the year ended September 30, 2017 and 2016, lots valued at \$7,000 and \$2,600, respectively, were donated to the Society. Lots totaling \$1,495 were donated to others as direct client aid during the year ended September 30, 2016.

Property and Equipment

It is the policy of the Society to capitalize property and equipment in excess of \$1,000. Purchased furniture, fixtures, equipment and vehicles are recorded at cost. Donated furniture, fixtures, equipment, and vehicles are carried at approximate fair value at the date of donation. Depreciation is computed over the assets estimated useful lives, ranging from 3 to 30 years, using the straight-line method. Leasehold improvements are amortized over the estimated useful life of the improvement or the life of the lease, whichever is shorter.

Deferred Revenue

Deferred revenue results from the Society recognizing special event revenue in the period in which the related event occurred. Accordingly, the event fees received for a fundraiser to be held the next fiscal year are deferred until the event date.

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Advertising Costs

Advertising costs are expensed as incurred.

Evening for Hope

The Evening for Hope event was held in October 2016 and 2017, subsequent to the 2016 and 2017 fiscal year ends. Therefore, due to timing of the event, deferred revenue as of September 30, 2017 and 2016 totaled \$91,813 and \$103,305, respectively. Fundraising events are shown in the accompanying statement of activities for the year ended September 30, 2016 net of expenses totaling \$79,490, which were for Tee Off for Hope, Evening for Hope, and Hunger Walk. Fundraising events for the year ended September 30, 2017 net of expenses totaling \$47,754 were for the Evening for Hope. No Tee off for Hope or Hunger Walk event was held in fiscal 2017.

New Accounting Policy

In July 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which requires the measurement of inventory at the lower of cost or net realizable value. The guidance requires prospective application and is effective for all entities for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Organization elected to early adopt the provisions of this new standard for the year ended September 30, 2017, but this change did not affect the stated value of inventory or results of operations.

2. Investments

The Society's investments are managed by investment managers with the Catholic Foundation of North Georgia. The Society values its investment assets at prices provided by the investment managers. The Society's investments are maintained within the Society of St. Vincent de Paul Georgia Endowment Fund (the Fund), which was established during March 2012 to allow various Roman Catholic diocesan parishes, schools, agencies, entities or programs in the Archdiocese of Atlanta to establish permanent endowments for their future long-term needs and other designated purposes. These investments are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient.

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

2. Investments – Continued

The Society’s investments consist of one pooled investment fund with the Catholic Foundation of North Georgia. These investments are valued by the Catholic Foundation of North Georgia based on the underlying assets. Underlying assets in the funds consist of investments in exchange-traded equity securities and institutional fund investments measured at net asset value. Investment balances with the Catholic Foundation of North Georgia totaled \$183,703 and \$164,362 at September 30, 2017 and 2016, respectively.

Investment returns consist of the following for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Unrealized and realized gain	\$ 18,891	\$ 12,335
Dividends, interest, and reinvested capital gains	2,554	2,480
Investment management fees	<u>(2,201)</u>	<u>(2,007)</u>
Total investment income	<u>\$ 19,244</u>	<u>\$ 12,808</u>

3. Property and Equipment, Net

Property and equipment are summarized as follows at September 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 77,700	\$ 77,700
Building	292,300	292,300
Leasehold improvements	204,715	263,167
Equipment	295,682	247,549
Vehicles	264,475	204,715
Computer equipment	141,905	141,905
Security system	14,016	14,016
Furniture and fixtures	<u>9,733</u>	<u>9,733</u>
	1,300,526	1,251,085
Less accumulated depreciation	<u>(729,128)</u>	<u>(623,536)</u>
Total property and equipment, net	<u>\$ 571,398</u>	<u>\$ 627,549</u>

Depreciation and amortization expense for the years ended September 30, 2017 and 2016 totaled \$105,592 and \$110,156, respectively.

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

4. Notes Payable

Previously, the Society entered into note payables with a single financial institution. A summary of notes payable is as follows at September 30:

	2017	2016
Vehicle loan with a fixed rate of 4.59%, due in monthly installments of \$1,958, including principal and interest through June 2017:	\$ -	\$ 15,352
Vehicle loan with a fixed rate of 4.59%, due in monthly installments of \$984, including principal and interest through August 2020.	32,125	41,408
Total notes payable	\$ 32,125	\$ 56,760

Aggregate principal maturities of debt subsequent to September 30, 2017 are as follows:

<u>Year ending September 30,</u>	
2018	\$ 9,983
2019	11,047
2020	11,095
	\$ 32,125

Previously, the Society secured a \$300,000 line of credit from the Archdiocese of Atlanta with a maturity date of May 31, 2017 and an interest rate of 8.5%. During 2017, the maturity date was extended to May 31, 2018 and then again in June 2018 the maturity date was extended to May 31, 2019. The outstanding balance on this line of credit was \$155,000 as of September 30, 2017 and 2016.

5. Other Liabilities

During 2012, funds were transferred from an affiliated Foundation to the Society's Archdiocese bank account to administer an employee loan fund for the affiliate. These funds were previously not in the Society's control for administration and therefore were shown as a liability on the statement of financial position. The balance in other liabilities at September 30, 2016 is \$41,869. During 2017, the control of these funds were turned over to the Society and management determined their use to be for general operations. The \$41,869 was recorded as unrestricted contributions in the statement activities for the year ended September 30, 2017.

SOCIETY OF ST. VINCENT DE PAUL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

6. Major Sources of Support and Revenue

The Society has three main sources of support and revenue which are as follows: Thrift Store sales, government grants for the Emergency Food and Shelter Program (EFSP), and contributions from individuals, foundations and corporations. For the years ended September 30, 2017 and 2016, the amounts derived from these sources represented approximately 94% and 97%, respectively, of the Society's total support and revenue.

7. Board Designated Net Assets

Board designated net assets consist of endowed net assets of \$173,703 and \$154,362 for the years ended September 30, 2017 and 2016, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds the Society has received subject to donor-imposed restrictions consisting of the following at September 30:

	2017	2016
Direct assistance	\$ -	\$ 299
Journey program	20,000	17,500
Property and equipment	37,238	-
Family support center	-	50,000
Total temporarily restricted net assets	\$ 57,238	\$ 67,799

9. Net Assets Released from Restrictions

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of other events specified by donors for the years ended September 30:

	2017	2016
Purpose restriction accomplished:		
Direct assistance	\$ 3,049	\$ 37,210
Property and equipment	44,300	40,000
Food distribution program	51,670	34,636
Support Center	50,000	37,500
Journey program	7,500	10,600
Total net assets released from restrictions	\$ 156,519	\$ 159,946

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10. Endowed Net Assets

The Society's endowment fund consists of funds designated by the Society's board of directors as well as donations permanently restricted by donors. As described in Note 2, these funds are maintained with the Society of St. Vincent de Paul Georgia Endowment Fund (the "Fund").

The Society follows the requirements of Georgia's Uniform Management of Institutional Funds Act (the "Act"). Upon receipt of gifts and bequests, the Society evaluates the gift instrument and related information to determine the directions and intentions of the donor. The Society classifies gifts that are not immediately expendable as either temporarily or permanently restricted, depending on the restrictions that the donor has imposed. Consistent with the Act, in the absence of explicit directions by the donor, the Society classifies the initial recorded value of gifts that are not immediately expendable as permanently restricted.

Investment Policy

The Society established an investment policy for the purpose of providing general guidelines for the prudent investment of its endowment assets. The objective of the investment policy is to defray annual spending and permit some growth of the assets as well as to maximize returns within reasonable and prudent levels of risk in order to minimize chances for loss of capital. The desired investment objective for the investments is to achieve a long-term rate of return of 5% over the prevailing rate of inflation, with a target rate of approximately 8% per year.

Spending Policy

Contributions to the Fund can be made by the Society or by donors, provided that the contributions are in a form acceptable under the Fund's Acceptance Policy. Once an aggregate of \$50,000 in cash or other assets has been contributed, the Society may begin making distributions from the Fund. The endowment may only be used to support the operations, ministries, and capital needs of the Society of St. Vincent de Paul Georgia, Inc. Unless otherwise changed by the Board of Directors, the amount of the endowment distribution used for operations may not exceed 20% of the operating budget. Usage of the endowment distributed funds requires an approval of the board of directors as part of each year's budget process or by special vote. There were no distributions made from the fund during the years ended September 30, 2017 and 2016.

From time to time, the fair value of invested assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2017 and 2016.

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10. Endowed Net Assets – Continued

Changes in the Society’s endowment for the years ended September 30 are as follows:

2017	Board Designated/ Unrestricted	Permanently Restricted	Total
Beginning Balance	\$ 154,362	\$ 10,000	\$ 164,362
Contributions	97	-	97
Interest and dividends	2,554	-	2,554
Investment gains			
Realized	3,587	-	3,587
Unrealized	15,304	-	15,304
Management fees	(2,201)	-	(2,201)
Ending Balance	<u>\$ 173,703</u>	<u>\$ 10,000</u>	<u>\$ 183,703</u>
2016			
Beginning Balance	\$ 141,530	\$ 10,000	\$ 151,530
Contributions	24	-	24
Interest and dividends	2,480	-	2,480
Investment gains (losses)			
Realized	(189)	-	(189)
Unrealized	12,524	-	12,524
Management fees	(2,007)	-	(2,007)
Ending Balance	<u>\$ 154,362</u>	<u>\$ 10,000</u>	<u>\$ 164,362</u>

11. Retirement Plan

The Society offers a retirement plan operated under section 401(k) of the Internal Revenue Code. Employees are eligible for participation on the first day of the month following their hire date. There are no minimum service or age requirements for participation. In addition, employees can voluntarily contribute up to the maximum allowed by law to the retirement plan. Employees vest from date of hire. For the fiscal years ended September 30, 2017 and 2016, the Society contributed 3% of each eligible employee’s salary and matched 100% of employee contributions up to 3%. The Society’s retirement plan expense for the years ended September 30, 2017 and 2016 totaled \$58,095 and \$47,389, respectively.

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12. Lease Commitments

The Society leases office space, thrift store space, equipment, and vehicles under non-cancelable operating leases. The future minimum payments under operating leases are as follows:

<u>For the year ending September 30:</u>	
2018	\$ 716,517
2019	719,548
2020	585,861
2021	480,993
2022	295,195
Thereafter	<u>158,974</u>
Total minimum lease payments	\$ <u><u>2,957,088</u></u>

Rent expense for the years ended September 30, 2017 and 2016 was \$877,155 and \$794,493, respectively.

13. Commitments and Contingencies

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the Society deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal funds, the Federal government. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

The Society has elected the reimbursable method of financing unemployment claims in which the Society reimburses the Georgia Department of Labor for benefits paid to its former employees. Outstanding claims as of September 30, 2017 and 2016 were approximately \$5,100 and \$6,300, respectively.

The Society is subject to legal actions arising in the ordinary course of business. In management's opinion, the Society has adequate legal defense and insurance with respect to such actions and their final outcome would not materially affect the Society's operations or financial position.

During 2016, the Society entered into a Loan Conversion Program with a financial institution in which the Society guarantees a portion of the loans entered into by direct aid clients as approved by Management. Management believes the maximum exposure as of both September 30, 2017 and 2016 approximates \$7,500.

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14. Related Party Transactions

The Society annually remits dues to the National Council of the United States Society of St. Vincent de Paul. During the year ended September 30, 2017, \$10,300 was paid to the National Council. No amounts were paid to the National Council during the year ended September 30, 2016. Amounts due to the National Council as of September 30, 2017 and 2016 were \$72,083 and \$54,180, respectively.

15. Subsequent Events

Management has evaluated events and transactions which occurred through July 19, 2018, which was the date the financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the financial statements other than that noted below and the extension of the line of credit further discussed in Note 4.

In November 2017, the Society signed a contract for capital campaign consulting services of approximately \$199,000. The \$6,500,000 Helping Neighbors in Need campaign started in March 2018 to fund the purchase and renovation of the Council offices and create an endowment fund. In addition, a contract was signed in March 2018 for consulting services for the application of the New Markets Tax Credit to finance the purchase and renovation of the Council offices. A retainer of \$7,500 was paid to the consultant in fiscal 2018 and any remaining fees due are contingent upon closing of the deal.