St. Vincent de Paul Village, Inc.

Financial Statements
and Compliance Reports
Years Ended December 31, 2016 and 2015

St. Vincent de Paul Village, Inc.

Contents

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Independent Auditors' Report

To the Audit Committee
St. Vincent de Paul Village, Inc.
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of **St. Vincent de Paul Village, Inc**. (the "Village"), a nonprofit corporation, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of 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 auditors' 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 **St. Vincent de Paul Village, Inc**. as of December 31, 2016 and 2015, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Functional Expenses on pages 9 and 10 are 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 audits 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 of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **St. Vincent de Paul Village's** internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

San Diego, California
August 3, 2017

St. Vincent de Paul Village, Inc.

Statements of Financial Position

December 31,	**2016**	2015
Assets		
Current assets:		
Cash	**$ 717,693**	$ 1,316,845
Investments	**1,221,734**	1,293,588
Grants receivable	**2,005,892**	1,880,258
Contributions receivable	**647,916**	346,164
Pledge receivable, current portion	**400,000**	400,000
Bequests receivable	**1,769,156**	485,542
Prepaid expenses and other receivables, net of allowance	**862,394**	719,652
Total current assets	**7,624,785**	6,442,049
Property and equipment:		
Equipment, furniture and vehicles	**2,635,915**	2,672,027
Buildings and leasehold improvements	**5,644,548**	5,265,476
Construction in process	**21,700**	134,842
	8,302,163	8,072,345
Less accumulated depreciation and amortization	**(5,268,904)**	(5,104,072)
Net property and equipment	**3,033,259**	2,968,273
Other assets:		
Investment in limited partnership	**50**	46
Deposits	**68,100**	71,900
Pledge receivable, less current portion, net of discount	**368,051**	721,097
Pooled income fund	**127,205**	122,194
Charitable remainder trust	**337,087**	327,733
Development fee receivable from affiliate	**-**	47,405
Due from Martha's Village and Kitchen, Inc.	**-**	968,885
Cash surrender value of insurance	**280,272**	241,515
Beneficial interest in gift annuity	**25,172**	26,128
Beneficial interest in perpetual trusts	**1,190,393**	1,157,576
Endowment fund	**3,367,618**	3,046,815
Total other assets	**5,763,948**	6,731,294
Total assets	**$ 16,421,992**	$ 16,141,616
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 2,204,008**	$ 1,962,956
Deferred rent, current portion	**4,030**	6,762
Loan payable	**200,000**	-
Deferred grant revenue	**127,986**	100,000
Total current liabilities	**2,536,024**	2,069,718
Deferred rent, less current portion	**6,996**	12,822
Margin loan	**1,330,830**	897,477
Line of credit	**1,996,325**	1,999,950
Due to S.V.D.P. Management, Inc.	**9,159,657**	7,762,120
Forgivable debt and related accrued interest	**2,211,363**	2,148,574
Total liabilities	**17,241,195**	14,890,661
Net assets (deficit):		
Unrestricted	**(6,187,770)**	(4,371,697)
Temporarily restricted	**1,200,891**	1,640,828
Permanently restricted	**4,167,676**	3,981,824
Total net assets (deficit)	**(819,203)**	1,250,955
Total liabilities and net assets	**$ 16,421,992**	$ 16,141,616

The accompanying notes are an integral part of these financial statements.

Statements of Activities

Years Ended December 31,		**2016**		2015
Changes in unrestricted net assets:				
Revenue, contributions and other:				
Contributions from organizations, foundations and individuals	**$**	**10,258,999**	$	10,293,247
Sales of donated goods		**4,349,391**		4,915,577
Grants		**10,244,972**		9,947,967
Contributions from S.V.D.P. Management, Inc.		**800,000**		-
Special events, net of direct benefit expense of approximately $222,000 and $236,000, respectively		**976,158**		816,471
Interest, investment, shared expenses and other income		**942,206**		406,861
Net medical revenue		**1,794,282**		1,443,670
Net assets released from donor restrictions		**501,156**		1,851,612
Total revenue, contributions and other		**29,867,164**		29,675,405
Expenses, contributions and other:				
Programs and services for the homeless		**22,089,296**		22,260,264
Cost of retail program		**4,147,263**		4,369,777
Fundraising		**2,870,935**		2,770,801
Administration		**2,575,743**		2,441,352
Total expenses, contributions and other		**31,683,237**		31,842,194
Change in unrestricted net assets		**(1,816,073)**		(2,166,789)
Changes in temporarily restricted net assets:				
Contributions		**100**		105,021
Change in value of split interest agreements		**13,408**		(51,192)
Net assets released from donor restrictions		**(453,445)**		(1,802,323)
Change in temporarily restricted net assets		**(439,937)**		(1,748,494)
Changes in permanently restricted net assets:				
Contributions		**151,622**		72,972
Change in value of permanently restricted net assets		**81,941**		(49,533)
Net assets released from donor restrictions		**(47,711)**		(49,289)
Change in permanently restricted net assets		**185,852**		(25,850)
Change in net assets		**(2,070,158)**		(3,941,133)
Net assets at beginning of year		**1,250,955**		5,192,088
Net assets (deficit) at end of year	**$**	**(819,203)**	$	1,250,955

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended December 31,	**2016**	2015
Operating Activities		
Change in net assets from operations	**$ (2,070,158)**	$ (3,941,133)
Reconciliation of change in net assets to net cash used in operating activities:		
Depreciation and amortization	**525,039**	535,077
Change in value of temporarily restricted split interest agreements	**(13,408)**	51,192
Distributions from temporarily restricted split interest agreements	**-**	13,989
Change in value of permanently restricted split interest agreements	**(78,317)**	53,322
Distributions from permanently restricted split interest agreements	**45,500**	41,149
Contributions of securities	**(957,291)**	(542,355)
Contributions restricted for long-term purposes	**(151,622)**	(72,972)
Realized and unrealized (gain) loss on investments	**(53,570)**	35,979
Realized and unrealized (gain) loss on endowment	**(253,423)**	119,889
Change in cash surrender value of insurance	**(38,757)**	(38,689)
(Gain) loss on disposal of property and equipment	**(80,026)**	50,999
Gain on investment in limited partnership	**(4)**	(6)
Bad debt expense	**36,000**	-
Changes in operating assets and liabilities:		
Deposits	**3,800**	100
Grants receivable	**(125,634)**	(290,074)
Contributions receivable	**(1,283,614)**	657,791
Pledges receivable	**353,046**	338,654
Bequests receivable	**(301,752)**	774,353
Prepaid expenses and other receivables, net of allowance	**(178,742)**	439,198
Development fee receivable from affiliate	**47,405**	60,000
Due from Martha's Village and Kitchen, Inc.	**-**	(828)
Accounts payable and accrued liabilities and related accrued interest	**299,622**	391,893
Deferred grant revenue	**27,986**	67,501
Deferred rent	**(8,558)**	8,304
Due to S.V.D.P. Management, Inc.	**2,366,421**	381,705
Net cash used in operating activities	**(1,890,057)**	(864,962)
Investing Activities		
Purchases of property and equipment	**(588,930)**	(308,136)
Proceeds from sale of property and equipment	**83,150**	-
Proceeds from sale of investments	**1,020,335**	911,971
Purchases of investments	**(5,000)**	(385,455)
Net cash provided by investing activities	**509,555**	218,380
Financing Activities		
Proceeds from forgivable debt	**-**	42,689
Proceeds from loan payable	**200,000**	-
Net borrowings (payments) on line of credit	**(3,625)**	499,950
Net borrowings on margin loan	**433,353**	884,505
Contributions restricted for long-term investment	**151,622**	72,972
Distribution from limited partnership	**-**	9
Net cash provided by financing activities	**781,350**	1,500,125
Net change in cash	**(599,152)**	853,543
Cash, beginning of year	**1,316,845**	463,302
Cash, end of year	**$ 717,693**	$ 1,316,845

The accompanying notes are an integral part of these financial statements.

Years Ended December 31,		**2016**		2015
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the period for:				
Interest	**$**	**152,509**	$	106,908

Noncash Investing and Financing Activities:

The Village received stock contributions of $957,291 and $542,355 for the years ended December 31, 2016 and 2015, respectively. Of which, $99,712 and $20,010 of the stock contributions received were contributions to the permanently restricted endowment.

During 2016, the Village transferred the Martha's Village and Kitchen, Inc. receivable balance to S.V.D.P. Management, Inc. in exchange for a reduction of the amount due to S.V.D.P. Management, Inc. of $968,885.

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Year Ended December 31, 2016

	Housing and Supportive Services	Medical Clinic	Toussaint	Total	Cost of Retail Program	Management and General	Fundraising	**Total Expenses**
Salaries & Employee Related Expenses	$ 7,831,367	$ 1,932,165	$ 805,533	$ 10,569,065	$ 1,767,664	$ 662,663	$ 834,566	**$ 13,833,958**
Rent	2,519,001	109,938	112,671	2,741,610	432,336	214,341	66,073	**3,454,360**
Contract Services	800	161,029	-	161,829	-	1,582,629	156,665	**1,901,123**
Food	1,664,230	1,472	48,718	1,714,420	179	-	2,348	**1,716,947**
Miscellaneous	909,059	294,553	65,184	1,268,796	284,376	13,141	118,791	**1,685,104**
Employee Benefits	1,058,522	161,985	56,065	1,276,572	304,324	-	59,215	**1,640,111**
Utilities	729,457	37,830	109,708	876,995	265,265	644	-	**1,142,904**
Professional Fees	41,106	223,611	5,849	270,566	196,755	102,325	166,438	**736,084**
Advertising	-	-	-	-	198,434	-	408,422	**606,856**
Depreciation	427,460	-	21,390	448,850	76,189	-	-	**525,039**
Direct Client Expenses	442,128	8,493	36,289	486,910	-	-	-	**486,910**
Insurance	275,643	13,154	27,572	316,369	99,705	-	57,822	**473,896**
Repair & Maintenance	335,365	31,800	39,170	406,335	31,491	-	28,169	**465,995**
Supplies	351,200	26,424	30,536	408,160	21,696	-	8,871	**438,727**
Special Events	-	-	-	-	-	-	436,169	**436,169**
Contract Services - UCSD	-	430,682	-	430,682	-	-	-	**430,682**
HUD Sub-Recipient Expenses	407,815	-	-	407,815	-	-	-	**407,815**
Vehicle	60,479	1,105	8,884	70,468	305,429	-	-	**375,897**
Printing	1,586	2,406	74	4,066	7,345	-	347,530	**358,941**
Postage	1,361	41	66	1,468	3,120	-	158,367	**162,955**
Medical & Dental	11,495	133,218	1,104	145,817	-	-	-	**145,817**
Commodities Donations to Others	-	-	-	-	133,398	-	-	**133,398**
Telephone	66,197	6,953	9,353	82,503	19,557	-	21,489	**123,549**
Total	$ 17,134,271	$ 3,576,859	$ 1,378,166	$ 22,089,296	$ 4,147,263	$ 2,575,743	$ 2,870,935	**$ 31,683,237**
% of Total	55%	11%	4%	70%	13%	8%	9%	**100%**

The accompanying notes are an integral part of these financial statements.

Year Ended December 31, 2015

	Housing and Supportive Services	Medical Clinic	Toussaint	Total	Cost of Retail Program	Management and General	Fundraising	**Total Expenses**
Salaries & Employee Related Expenses	$ 7,965,332	$ 1,521,214	$ 825,339	$ 10,311,885	$ 1,854,626	$ 587,978	$ 834,927	**$ 13,589,416**
Rent	2,570,148	109,424	112,671	2,792,243	498,106	214,120	66,073	**3,570,542**
Food	1,924,113	1,102	64,784	1,989,999	2,871	-	3,431	**1,996,301**
Contract Services	-	213,860	-	213,860	-	1,574,209	131,495	**1,919,564**
Miscellaneous	826,255	114,816	55,863	996,934	361,973	9,281	160,060	**1,528,248**
Employee Benefits	947,563	120,958	88,717	1,157,238	282,664	-	77,905	**1,517,807**
Utilities	748,127	37,580	86,798	872,505	256,433	-	-	**1,128,938**
HUD Sub-Recipient Expenses	925,068	-	-	925,068	-	-	-	**925,068**
Contract Services - UCSD	-	586,103	-	586,103	-	-	-	**586,103**
Professional Fees	13,807	278,850	5,439	298,096	24,566	55,764	163,608	**542,034**
Depreciation	437,911	-	21,261	459,172	75,905	-	-	**535,077**
Supplies	409,409	13,818	22,517	445,744	68,574	-	16,708	**531,026**
Repair & Maintenance	386,247	19,874	45,409	451,530	43,556	-	24,071	**519,157**
Insurance	296,274	13,815	11,945	322,034	79,687	-	57,907	**459,628**
Vehicle	71,501	807	9,201	81,509	351,230	-	1,429	**434,168**
Advertising	283	-	-	283	141,768	-	264,893	**406,944**
Printing	882	1,666	72	2,620	4,301	-	386,024	**392,945**
Special Events	-	-	-	-	-	-	311,859	**311,859**
Commodities Donations to Others	-	-	-	-	281,702	-	-	**281,702**
Postage	2,431	93	79	2,603	4,247	-	241,303	**248,153**
Telephone	78,229	2,357	11,490	92,076	37,568	-	29,108	**158,752**
Medical & Dental	4,788	125,615	626	131,029	-	-	-	**131,029**
Direct Client Expenses	62,903	7,456	57,374	127,733	-	-	-	**127,733**
Total	$ 17,671,271	$ 3,169,408	$ 1,419,585	$ 22,260,264	$ 4,369,777	$ 2,441,352	$ 2,770,801	**$ 31,842,194**
% of Total	55%	10%	5%	70%	14%	7%	9%	**100%**

The accompanying notes are an integral part of these financial statements.

(1) Organization and Significant Accounting Policies

Organization

The accompanying financial statements present the operations of St. Vincent de Paul Village, Inc. (the "Village"). The Village is comprised of the following operating activities:

Programs and Services for the homeless and those at-risk for homelessness (the "Centers" which are Joan Kroc Center, Bishop Maher Center and Paul Mirabile Center): The Centers provide comprehensive services for homeless men, women and children. They provide interim, transitional and rapid re-housing programs, as well as, an array of services including medical and dental care, case management, meals, job skills training, addiction treatment, mental health services and therapeutic childcare. The Centers receive support through state and Federal grants, foundations and contributions from Fundraising and Retail activities.

Medical Clinic: The medical and dental services provided by the Centers are through our licensed primary care clinic that is a Federally Qualified Health Center ("FQHC"). Under FQHC guidelines, payment for services provided to Medicare and Medi-Cal patients is reimbursed at an all-inclusive rate per visit. The services provided are primarily sourced by a combined residency program in psychiatry and family medicine with the University of California San Diego ("UCSD"), a premier partnership and training site which is considered to be a "best practice" approach to serving the homeless.

Toussaint Academy San Diego ("TASD"): is a licensed group home that services homeless youth. TASD provides residents with medical services, meals, education and life skills support, as well as, a safe place to live. In December 2016, the licensed group home was closed.

Retail: Retail's primary source of funds is from the sale of donated used furniture, clothing and other items through daily warehouse auctions, the furniture warehouse and four retail thrift stores.

Fundraising: Through its fundraising efforts, the Village finances the programs and services described above.

S.V.D.P. Management, Inc., ("S.V.D.P."), is an affiliated organization which develops, maintains and leases property, and provides funding and services to the Village for its operating activities.

Organization, cont'd

Martha's Village & Kitchen, Inc. ("MVK") is located in Indio, California and provides shelter, food, and other services similar to the Village programs. In 2016, the Village terminated their relationship with MVK.

Liquidity

As indicated in the accompanying financial statements, the Village's net assets decreased by approximately $2,100,000 during the year ended December 31, 2016 and it's its total liabilities exceeded its total assets by approximately $800,000 as of that date. These conditions were alleviated by the Village's current ratio by which current assets exceeded its current liabilities by approximately $5,100,000, providing sufficient liquidity to pay short-term obligations. Management has evaluated the Village's current financial position and believes that, in spite of the deficit in net asset position, the Village has the ability to continue as a going concern.

Management has evaluated the Village's ability to continue operations which is largely dependent on its capacity to service short term debt and meet its current obligations as they become due and has determined that the deficiency in net assets will not impair the Village's ability to meet its current obligations or continue operations. The Village's deficiency in net assets is primarily due to its long-term obligations totaling approximately $14,700,000 consisting of 1) approximately $9,200,000 due to S.V.D.P. Management, Inc., an affiliated party which terms are described in Note 1, with additional detail provided in the related party transaction information included in Note 2 2) approximately $2,200,000 of forgivable debt and related accrued interest which terms are described in Note 11, and 3) approximately $2,000,000 outstanding on a line of credit and 4) approximately $1,300,000 outstanding on the margin loan, which terms are both described in Note 10.

The related party debt owed to S.V.D.P. Management, Inc. is not due for the foreseeable future and the only aforementioned debt with a stated due date is the line of credit which is due September 16, 2018 (Note 10).

In addition, the line of credit was paid down by approximately $1,100,000 subsequent to year end with net proceeds from the sale of property by S.V.D.P. Management, Inc. Therefore, Management believes the Village's deficiency in net assets, primarily due to long-term obligations, does not hinder its ability to meet its obligations as they become due and do not cause a concern related to its continuing operations.

In addition, the Village's ability to meet its obligations as they become due were enhanced by the additional liquidity generated from the approximately $1,100,000 reduction in borrowings on the line of credit and approximately $600,000 available through an investment line of credit.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with the authoritative guidance related to not-for-profit entities. Accordingly, the Village is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Investments

The Village carries investments in equity securities with readily determinable fair values and investments in debt securities at fair value with realized and unrealized gains and losses included in the statement of activities in accordance with authoritative guidance.

Investments consist of marketable securities and are accounted for as follows:

Marketable securities consist of mutual funds, equity, and fixed income securities and are recorded at fair market value. The fair value of investments in securities is based on quoted market prices and is valued at the closing price on the last business day of the year.

Realized gains and losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the period or since the acquisition date, if acquired during the period, and are recorded as a component of unrestricted net assets, unless restricted by donor.

Donated investments are initially recorded at fair value on, or near, the date of the gift.

Contributions, pledges and bequests

The Village records contributions, pledges and bequests consisting of cash and other assets by donors at fair value in the period in which the commitment is made. Contributions receivable consist of contributions received within 21 days of year end that are dated prior to year-end. Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. Conditional promises to give are recognized when the conditions are substantially met in accordance with the authoritative guidance. Bequests receivable consist of trusts held by others in which the donor has passed, and the Village is named as a beneficiary.

Restricted contributions, whose restrictions are met within the same reporting period, are recorded as unrestricted contributions.

Medical clinic receivable

As a FQHC, the Village provides services to all persons regardless of their ability to pay, using a sliding fee scale based on patient family size and income. The majority of the patients are covered by Medicare, Medi-Cal and other insurance payors. These payors limit payment for services based upon their respective schedules of usual, customary, and reasonable fees. Being a FQHC allows the Village to obtain additional reimbursement for the services provided.

Accounts receivable are recorded on the accrual basis at full billing rates and consist of amounts billed for services provided. Contractual allowances adjusted receivables and revenues to net realizable amounts based on Medicare and Medi-Cal regulations, and based on management's valuation of the private accounts. In the case of Medicare, reasonable estimates are made and reported in the period services are rendered, and differences between the estimates and actual receipts are included in the statement of activities in the period in which they are determined. In the case of Medi-Cal, payments under the new payment system are final, unless the number of reimbursable visits is changed as a result of an audit by the State of California, Department of Health and Human Services. The allowances for estimated uncollectible accounts are based on past experience and on an analysis of current receivable balances. Accounts deemed uncollectible are written off in the period deemed uncollectible. The allowance is recorded as a deduction from the medical clinic revenue. Management determined an allowance for doubtful accounts of approximately $93,000 and $219,000 was necessary at December 31, 2016 and 2015, respectively.

Net medical clinic revenue

The Village has agreements with third-party payers that provide for payments to the FQHC at amounts different from its established rates. A summary of the historical and current payment arrangements with major third-party payors is as follows:

Medicare – Medicare services rendered to Medicare program beneficiaries are paid under a cost-based reimbursement system. The Village is reimbursed at a tentative ("interim") rate, with final settlement determined after submission of the annual cost reports by the FQHC and audits thereof by the fiscal intermediary.

Medi-Cal – Medical services rendered to Medi-Cal beneficiaries are paid under a "prospective payment system" ("PPS"), using rates established by the FQHC's "base year – fiscal year ended December 31, 2009" cost report filed under the previous cost based reimbursement system.

Net medical clinic revenue, cont'd

Other Payors – The FQHC also has entered into payment agreements with certain commercial carriers, health maintenance organizations, preferred-provider organizations, and patients considered eligible for coverage under certain Federal Financial Assistance grants. The basis for payment to the FQHC under these agreements includes discounts from established charges and prospectively determined per-visit rates. Patients under 200% of the Federal poverty guidelines are charged on a sliding-fee discount basis depending upon family size and income.

Net medical service revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity care

The Village provides care without charge or at amounts less than its established rates, to patients who meet certain criteria. Because the Village does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue in the accompanying statements of activities. Charges foregone for services furnished by the Village totaled approximately $183,000 and $253,000 for 2016 and 2015, respectively.

Grants revenue and receivable

The Village is awarded grants from Federal, state, county and city agencies. Those grants funded renew annually, with the amount awarded negotiated in advance. Grant revenue is recognized as revenue when the related program costs are incurred. Unexpended grant funds received in advance of the related expenditures are reported as deferred grant revenue.

At December 31, 2016 and 2015, the Village had approximately $2,006,000 and $1,880,000, respectively, in grants receivable. Management has determined that no allowance is necessary on the grants receivable.

Donated goods

The Village recognizes revenue related to the sale of donated food, furniture, clothing and other items at the time of sale.

Expiration of donor restrictions

The expiration of a donor restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Long-lived assets

The Village records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. At December 31, 2016 the Village has not identified any indicators of impairment or recorded any impairment of long-lived assets.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates used in preparation of these financial statements include management’s estimate of medical clinic revenue and related receivables, valuation of split-interest agreements, valuation of beneficial interest in perpetual trusts, allowance for doubtful accounts and the functional allocation of expenses.

Concentration of credit risk

Financial instruments which potentially subject the Village to concentrations of credit risk consist primarily of cash. The Village maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The Village has not experienced any losses in such accounts. Management believes that the Village is not exposed to any significant credit risk with respect to its cash.

Contributed services

Services provided by volunteers in the medical and dental clinics are measured by the fair value of the service received. Contributed services of approximately $220,000 and $279,000 were included in contribution income on the statements of activities and professional fees on the statements of functional expenses for 2016 and 2015, respectively. Other services received from volunteers are not of a type permitted to be recognized in the financial statements in accordance with the authoritative guidance; thus, no value was recorded.

Property and equipment

Property and equipment is stated at cost. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the assets, which range from five to ten years. Leasehold improvements are amortized over the shorter of the life of the asset or the lease term. All items with a value of $5,000 or greater are capitalized. Depreciation and amortization expense was approximately $525,000 and $535,000 for 2016 and 2015, respectively.

Income taxes

The Village is exempt from income taxes on the basis that it qualifies under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. All tax-exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the organization as a tax-exempt entity under Internal Revenue Code 501(c)(3) and applicable state statutes. At December 31, 2016, the federal statute of limitation remains open for the 2013 through 2016 tax years. The statute of limitations for the state income tax returns remains open for the 2012 through 2016 tax years.

Advertising

The Village expenses advertising costs as incurred. Advertising costs were approximately $758,000 and $485,000 for 2016 and 2015, respectively.

Functional expenses

The cost of providing various programs and services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

(2) Related Party Transactions

Related party rental expense

The Centers rent their facilities from S.V.D.P., Village Place, L.P., and 15th & Commercial, L.P., all affiliates, under long-term operating leases that expire at various dates through 2028. The Centers’ rental expense was approximately $2,726,000 and $2,797,000 for 2016 and 2015, respectively.

Fundraising paid approximately $66,000 in 2016 and 2015 to S.V.D.P. under a lease for office space.

Related party rental expense, cont'd

Retail leases two warehouses from S.V.D.P. as well as retail space from 16th and Market, L.P. Total rent expense under these leases was approximately $224,000 and $294,000 for 2016 and 2015, respectively.

Total future minimum lease payments in the years subsequent to December 31, 2016 are as follows:

December 31,	Centers	Retail	Total
2017	$ 2,596,512	$ 170,657	$ 2,767,169
2018	2,094,533	-	2,094,533
2019	1,962,919	-	1,962,919
2020	26,330	-	26,330
2021	27,251	-	27,251
Thereafter	151,251	-	151,251
Total	$ 6,858,796	$ 170,657	$ 7,029,453

15th & Commercial, L.P. operating subsidy and CAM charges

An operating subsidy is mandated by the 15th & Commercial, L.P. transitional housing lease. Per the lease agreement, on December 3 of each calendar year the Village shall pay 15th & Commercial, L.P. a subsidy payment in an amount equal to the Section 42 Breakpoint less the amount of property expenses that the Village paid for the calendar year. Section 42 Breakpoint is the difference between the market rate that could be charged for an apartment unit and the maximum rent that can be charged for a similar but low income apartment unit. This payment is to supplement the difference between the maximum allowable California Tax Credit Allocation Committee ("TCAC") rent rate charged to tenants and the cost to maintain the units. The subsidy was approximately $186,000 and $107,000 in 2016 and 2015, respectively.

The Village pays common area maintenance ("CAM") charges for the property leased from 15th & Commercial, L.P. The CAM charges were approximately $374,000 and $463,000 in 2016 and 2015, respectively.

Contract services with S.V.D.P. Management, Inc.

S.V.D.P. has a service contract with the Village to provide administrative services. The charges under this contract were approximately $1,657,000 and $1,649,000 in 2016 and 2015, respectively.

Due to/from S.V.D.P Management, Inc.

The Village and S.V.D.P. provide cash advances and contributions to each other from time to time. The Village owed S.V.D.P. approximately $9,160,000 and $7,762,000 as of December 31, 2016 and 2015, respectively.

Contributions from S.V.D.P. Management, Inc.

The Village received contributions from S.V.D.P. to support operations in the amount of approximately $800,000 in 2016. The Village did not receive contributions from S.V.D.P. in 2015.

Pass-through grant to S.V.D.P. Management, Inc.

The Village has been awarded a grant from the Department of Housing and Urban Development to fund the continuum of care program. Village passed through approximately $20,000 and $19,000 of continuum of care funding to S.V.D.P. in 2016 and 2015, respectively.

Investment in Village Place Apartments, L.P.

During 2016, the Village recognized a gain on investment in limited partnership of $4 which is included in interest, investment, shared expenses and other income on the statement of activities. The investment in limited partnership is stated at estimated fair value. The value of the investment in the partnership was $50 at December 31, 2016.

During 2015, the Village recognized a gain on investment in limited partnership of $6 which is included in interest, investment, shared expenses and other income on the statement of activities and received a distribution of $9. The investment in limited partnership is stated at estimated fair value. The value of the investment in the partnership was $46 at December 31, 2015.

(3) Leases

In addition to the related party leases described in Note 2, the Village leases thrift stores under non-cancelable operating leases that expire at various dates through 2022. Rent expense under these operating leases was approximately $208,000 and $204,000 for 2016 and 2015, respectively.

(3) Leases, Cont'd

The Village also has non-cancelable lease agreements for vehicles that expire at various dates through 2022. The leases include both a fixed amount for the vehicles, and a variable rate depending on the number of miles driven. The rental amounts include a consumer price index ("CPI") increase after 24 months from the date the Village entered into the leases. Rent expense under these operating leases aggregated to approximately $231,000 and $241,000 for 2016 and 2015, respectively. Aggregate future minimum lease payments under operating leases in the years subsequent to December 31, 2016 are as follows:

Year Ending December 31,	Thrift Stores	Vehicles	Total
2017	$ 203,273	$ 195,837	$ 399,110
2018	187,914	187,367	375,281
2019	94,864	187,367	282,231
2020	96,762	187,367	284,129
2021	98,697	170,596	269,293
Thereafter	177,301	180,069	357,370
	$ 858,811	$ 1,108,603	$ 1,967,414

(4) Grant Agreements

The Village has entered into five grant agreements with the U.S. Department of Housing and Urban Development ("HUD") and other governmental agencies whereby these grants will subsidize a portion of the operating costs of the Family Living Center Program, Boulevard Apartments Program, Rapid Re-Housing for Families ("RRHFF") Program, Rapid Rehousing for Singles ("RRHFS") Program and Permanent Supportive Housing for Chronically Homeless ("PSHFCH") Program. HUD funds are also passed through to S.V.D.P.

(4) Grant Agreements, Cont'd

The Village is committed to certain matching funds that are to be provided by Fundraising. The five agreements designate the following commitments for the years ending December 31, 2017 and 2018:

Grant Agreement	Commitment	2017	2018
Family Living	HUD Commitment	$ 508,728	$ 127,182
Center	Village Commitment	127,182	31,796
		$ 635,910	$ 158,978
Boulevard	HUD Commitment	$ 46,505	$ 34,879
Apartments	Village Commitment	11,626	8,720
		$ 58,131	$ 43,599
RRHFF	HUD Commitment	$ 700,110	$ 583,425
Program	Village Commitment	175,028	145,856
		$ 875,138	$ 729,281
RRHFS	HUD Commitment	$ 653,565	$ 544,638
Program	Village Commitment	163,391	136,159
		$ 816,956	$ 680,797
PSHFCH	HUD Commitment	$ 1,518,893	$ 1,392,319
Program	Village Commitment	379,723	348,080
		$ 1,898,616	$ 1,740,399
	HUD Commitment	$ 3,427,801	$ 2,682,443
Summary	Village Commitment	856,950	670,611
		$ 4,284,751	$ 3,353,054

These grant agreements and certain other grant support are subject to review by the grantor agencies, which could lead to requests for reimbursements by the grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will not be significant.

(4) Grant Agreements, Cont'd

The Village is a pass-through entity for certain HUD projects. As a result, it has contracted with sub-recipients to perform the tasks required by the project agreements. The following is a summary of commitments to the sub-recipients for the years ending December 31, 2017 and 2018:

	2017	2018	Totals
Boulevard Apartments	$ 22,894	$ 17,171	$ 40,065
Totals	$ 22,894	$ 17,171	$ 40,065

(5) Development Fee Receivable from Affiliates

On February 12, 2002, the Village and Chelsea Investment Corporation ("CIC") entered into an agreement with Villa Harvey Mandel, L.P., an affiliate of the Village, to supervise and oversee the development of the Villa Harvey Mandel project for a development fee of approximately $1,095,000. The development fee was earned as services were performed. The Village will receive 60% and CIC has received 40% of the development fee. A portion of the fee was deferred and the cash portion of the development fee has been paid in full to CIC. As of December 31, 2015 approximately $47,000 of the development fee remained due to the Village. The development fee was paid in full in 2016.

(6) 401(k) Profit Sharing

The Village participates in a profit-sharing retirement plan that covers all eligible employees of the Village and its partner agencies. Each organization makes matching contributions on a discretionary basis. There was no matching contribution made to the plan for the years ended December 31, 2016 and 2015.

(7) Prepaid Expenses and Other Receivables

The Village's prepaid expenses and other receivables are comprised of the following:

December 31,	**2016**	2015
Net medical clinic receivable	**$ 416,656**	$ 438,207
Prepaid expenses	**247,608**	178,411
Note receivable, net of allowance of $36,000	**144,000**	-
Inventory	**44,609**	53,186
Accounts receivable	**9,521**	49,848
Prepaid expenses and other receivables	**$ 862,394**	$ 719,652

(8) Investments

The cost and fair value of investments are summarized as follows:

December 31,		2016		
		Cost		Fair Value
Mutual funds	**$**	**991,218**	**$**	**995,277**
Cash		**180,514**		**180,514**
Equities		**-**		**45,000**
Municipal bonds		**-**		**938**
Estimated accrued interest		**-**		**5**
Totals	**$**	**1,171,732**	**$**	**1,221,734**

December 31,		2015		
		Cost		Fair Value
Mutual funds	$	1,011,361	$	916,413
Cash		329,815		329,815
Municipal bonds		15,000		16,179
Equities		-		30,912
Estimated accrued interest		-		269
Totals	$	1,356,176	$	1,293,588

Fair values have been determined by reference to the most recent market quotations for the respective investments.

Investment return included in interest, investment, shared expenses and other income are comprised of the following:

December 31,		**2016**		2015
Investment income	**$**	**47,404**	$	63,027
Realized gain (loss)		**(1,291)**		246
Unrealized gain (loss)		**17,646**		(90,024)
Fees		**(10,189)**		(9,228)
Totals	**$**	**53,570**	$	(35,979)

(9) Pooled Income Fund and Charitable Remainder Trust

The Village is the beneficiary under one pooled income fund and a charitable remainder trust that are administered by third parties.

(9) Pooled Income Fund and Charitable Remainder Trust, Cont'd

The pooled income fund is an arrangement whereby donors contribute cash into the fixed income investment account. Donors are assigned a specific number of units based on the fair value of their contribution to the pool as a whole. Investment income is distributed to each donor proportionally based on the donors units. When a donor dies, the donor's share in the fund is distributed to the Village. The amounts to be received were recorded at the present value of the contribution based on the donor's life expectancy and a discount rate at the time of contribution.

The charitable remainder trust is an arrangement whereby a donor contributes assets in exchange for distributions to a designated beneficiary over the remainder of the beneficiary's life. At the end of that time, the remaining assets will be given to the Village.

The charitable remainder trust is administered by a third-party trustee and has its beneficial interest in the trust recorded at fair value based on the present value of the future benefits expected to be received from the trust at the date the agreement was recorded. The discount rate on the present value of expected benefits is 3.75%.

Total unamortized discounts for the pooled income fund were approximately $30,000 and $35,000 as of December 31, 2016, and 2015, respectively.

Total unamortized discounts for the charitable remainder trust were approximately $219,000 and $200,000 as of December 31, 2016, and 2015, respectively.

(10) Line of Credit

In May 2012, the Village obtained a revolving LOC from a bank secured by the Village. This revolving LOC allows for advances up to $2,000,000 and requires interest only payments with a maturity date of September 16, 2018. The monthly interest payments are calculated using the prime rate plus 1.0%. The rate at December 31, 2016 was 4.75%. S.V.D.P. is a guarantor on the LOC and it is collateralized by a deed of trust and an Assignment of Rents and Commercial Security Agreement.

At December 31, 2016 and 2015, the outstanding balance was approximately $2,000,000. Interest expense related to the LOC was approximately $73,000 and $52,000 for 2016 and 2015, respectively.

The LOC has both financial and reporting requirements. At December 31, 2016, management is not aware of any violations of these covenants.

(11) Debt

In February 2012, the Village was awarded a loan of $1,000,000 from the EHAP of the State of California for tenant improvements at 15th & Commercial, L.P. The loan is secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest will be forgiven in seven years from the project date of recordation by the County Recorder of the Notice of Completion if certain conditions are met. The Village has drawn the full amount of the loan and the entire balance remains outstanding as of December 31, 2016 and 2015. Interest expense related to the loan was approximately $30,000 for 2016 and 2015. Accrued interest related to the loan was $138,000 and $105,000 for 2016 and 2015, respectively.

In September 2013, the Village was awarded a loan of approximately $568,000 from the EHAP of the State of California for tenant improvements at the Village. The loan is secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest will be forgiven in seven years from the project date of recordation by the County Recorder of the Notice of Completion if certain conditions are met. The Village has drawn approximately $568,000 of the loan as of December 31, 2016. Interest expense related to the loan was approximately $17,000 for 2016 and 2015. Accrued interest related to the loan was $49,000 and $32,000 for 2016 and 2015, respectively.

In October 2013, the Village was awarded a loan of $430,000 from the EHAP of the State of California for tenant improvements at the Village. The loan is secured by a deed of trust on the property and bears interest at 3.0%. The loan and interest will be forgiven in seven years from the project date of recordation by the County Recorder of the Notice of Completion if certain conditions are met. The Village has drawn approximately $426,000 of the loan as of December 31, 2016. Interest expense related to the loan was approximately $13,000 and $12,000 for 2016 and 2015, respectively. Accrued interest related to the loan was $30,000 and $17,000 for 2016 and 2015, respectively.

In July 2016, the Village obtained a loan from a lender of $200,000 to facilitate the implementation of the Village's new Electronic Health Records (EHR) system. The loan is secured by accounts receivable. The loan was due January 9, 2017 and has no stated interest rate. At December 31, 2016, the outstanding balance on the loan was $200,000. The terms of repayment are in negotiation due to implementation issues related to the new HER system. The Village has requested a reduction of the amount owed as a result of incremental costs incurred by the Village as a result of the implementation.

(11) Debt, Cont'd

In February 2011, the Village obtained a margin loan against its restricted endowment investment account in the amount of $1,000,000 with an interest rate that fluctuates based on the average loan balance for the period. At December 31, 2016, the rate was 3.5%. Interest is paid monthly with income earned on the investment portfolio. The Village reimburses interest expense to the account on a quarterly basis. The principal balance of the loan is collateralized by the restricted endowment investment portfolio with no required principal payments. The loan continues until paid off or the value of the assets in the investment account decline in value. The Village does not intend to take distributions from the endowment while the margin loan is outstanding. The purpose of the loan is to assist in the funding of general operations. At December 31, 2016 and 2015, the outstanding balance on the loan was approximately $1,331,000 and $897,000, respectively. Interest expense related to the loan was approximately $29,000 and $5,000 for 2016 and 2015, respectively.

(12) Contingent Liability

The Village is contingently liable as guarantor with respect to approximately $9,101,000 and $9,803,000 of indebtedness of S.V.D.P. at December 31, 2016 and 2015, respectively.

The agreements with the bank specific to the above debt require that S.V.D.P. and the Village maintain certain financial and non-financial loan covenants. At December 31, 2016, management is not aware of any violations of these covenants.

In May 2012, S.V.D.P. obtained a $1,275,000 commercial real estate loan from a bank that requires monthly payments, matures on May 16, 2017, has a five year amortization and a five year declining prepayment penalty. The interest is calculated using a fixed 4.50% interest. As of December 31, 2016 and 2015 S.V.D.P. owed approximately $1,132,000 and $1,168,000, respectively, on the loan. The Village is a guarantor on the loan. These loans are cross collateralized by deeds of trust, an Assignment of Rents and Commercial Security Agreement. The loans have both financial and reporting requirements. At December 31, 2016, management is not aware of any violations of these covenants.

The Village participates in the State of California Federally Qualified Health Center Medi-Cal reimbursement program. The State of California performs periodic audits that could result in some patient costs and visits not being reimbursable or allowable, or an adjustment in reimbursement rates, under the terms of the program.

(13) Restricted Net Assets

The Village's temporarily restricted net assets are comprised of the following:

December 31,		**2016**		2015
Restricted for purpose:				
Single fathers	**$**	**42,576**	$	96,022
Mattresses		**9,100**		9,000
Restricted for use in future periods:				
Pledge receivable		**659,751**		1,059,751
Charitable remainder trust		**337,087**		327,733
Pooled income fund		**127,205**		122,194
Gift annuity		**25,172**		26,128
Totals	**$**	**1,200,891**	$	1,640,828

The Village has adopted the guidance on net asset classification of donor-restricted endowment funds as described in the authoritative guidance. The Village's permanently restricted net assets are comprised of the following:

December 31,		**2016**		2015
Restricted for use in future periods:				
General Endowment	**$**	**3,021,370**	$	2,869,748
Beneficial interest in perpetual trusts:				
St. Vincent de Paul Village Fund		**550,381**		537,638
McEvoy Trust		**411,910**		394,657
Charles and Lucille Borgerding Fund		**184,015**		179,781
Totals	**$**	**4,167,676**	$	3,981,824

(14) Permanently Restricted Net Assets

The Village's endowment funds consist of four individual funds, several containing donor restrictions, established to provide funding for general operations, education and children's programs. In accordance with the authoritative guidance, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Village has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added

(14) Permanently Restricted Net Assets, Cont'd

to the fund and (d) market gains, losses and earnings in excess of distributions from endowment funds under the control of a third party. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted assets until those amounts are appropriated for expenditure by the Village in a manner consistent with the standard of prudence prescribed by the State of California's Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). In accordance with UPMIFA, the governing board may appropriate for expenditure for the uses and purposes for which an endowment fund is established. As such, much of the net realized and unrealized appreciation in the fair value of the assets of an endowment fund over the historic dollar value of the fund is considered prudent, unless the donor's intention is indicated in the endowment.

Endowment net asset composition by the type of fund for the year ended December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (984,582)	$ -	$ 4,167,676	$ 3,183,094

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2016	$ (720,410)	$ -	$ 3,981,824	$ 3,261,414
Change in value of split-interest agreements	-	-	81,941	81,941
Net realized and unrealized gain	253,423	-	-	253,423
Contributions	-	-	151,622	151,622
Release from restriction	-	-	(47,711)	(47,711)
Margin loan in excess of corpus	(517,595)	-	-	(517,595)
Endowment net assets, December 31, 2016	$ (984,582)	$ -	$ 4,167,676	$ 3,183,094

(14) Permanently Restricted Net Assets, Cont'd

Endowment net asset composition by the type of fund for the year ended December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (720,410)	$ -	$ 3,981,824	$ 3,261,414

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2015	$ -	$ 131,434	$ 4,007,674	$ 4,139,108
Change in value of split-interest agreements	-	-	(49,533)	(49,533)
Net realized and unrealized loss	(119,889)	-	-	(119,889)
Contributions	-	-	72,972	72,972
Release from restriction	-	-	(49,289)	(49,289)
Margin loan in excess of corpus	(565,164)	-	-	(565,164)
Appropriation of endowment assets for expenditure	(35,357)	(131,434)	-	(166,791)
Endowment net assets, December 31, 2015	$ (720,410)	$ -	$ 3,981,824	$ 3,261,414

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Village to retain as a fund of perpetual duration. In accordance with the authoritative guidance, deficiencies of this nature are reported in unrestricted net assets in the year in which they occur. Deficiencies of this nature that are reported in unrestricted net assets were approximately $985,000 as of December 31, 2016.

The Village has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Village must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the funds are invested in a manner intended to produce approximately 5.0% greater than the rate of inflation on a total return basis. Actual returns in any given year may vary from this expected return.

(14) Permanently Restricted Net Assets, Cont'd

To satisfy its long-term rate-of-return objectives, the Village relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Village uses a diversified asset allocation to achieve its long-term objectives within prudent risk parameters.

The Village's policy is to appropriate for distribution each year 5.0% of the endowment fund's fair value at a specified time during the year. In establishing the policy, the Village considered the long-term expected return on its endowment. Accordingly, over the long-term, the Village expects the current spending policy to allow its endowment to grow at an average annual rate equal to the general inflation rate. This is consistent with the Village's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.

(15) Fair Value Measurement

The Village measures fair value at the price that would be received upon sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

(15) Fair Value Measurement, Cont'd

The following table summarizes the valuation of the Village's fair value measurements in accordance with authoritative guidance at December 31, 2016:

Asset Category	Level 1	Level 2	Level 3	Total
Equities:				
Healthcare	$ 5,646	$ -	$ -	$ 5,646
Other	39,354	-	-	39,354
Mutual funds:				
Large blend/growth/value	430,312	-	-	430,312
Bank loan	51,278	-	-	51,278
Bond funds	459,747	-	-	459,747
Small blend	53,940	-	-	53,940
Municipal bonds	938	-	-	938
Sub-total investments	1,041,215	-	-	1,041,215
Pooled income fund	-	-	138,985	138,985
Charitable remainder trust	-	-	337,087	337,087
Cash surrender value insurance	-	-	280,272	280,272
Beneficial interest in gift annuity	-	-	86,471	86,471
Beneficial interest in perpetual trusts	-	-	1,190,393	1,190,393
Endowment funds:				
Financial equities	1,069,867	-	-	1,069,867
Bond funds	1,167,407	-	-	1,167,407
Foreign securities	418,396	-	-	418,396
Commodities broad basket	142,916	-	-	142,916
Global real estate	91,320	-	-	91,320
Diversified emerging markets	313,518	-	-	313,518
Small value	164,194	-	-	164,194
Sub-total endowment funds	3,367,618	-	-	3,367,618
Total assets measured at fair value	$ 4,408,833	$ -	$ 2,033,208	$ 6,442,041

(15) Fair Value Measurement, Cont'd

The following table summarizes the Village fair value ("FV"), net present value ("NPV") and cash surrender value ("CSV") measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2016:

	FV Pooled Income Fund	NPV Charitable Remainder Trust	CSV Life Insurance	FV Beneficial Interest in Gift Annuity	NPV Beneficial Interest in Perpetual Trusts	Total
Balance at January 1, 2016	$ 138,280	$ 327,733	$ 241,515	$ 95,141	$ 1,157,576	$ 1,960,245
Distributions	(2,162)	-	-	(13,090)	(45,501)	(60,753)
Change in valuation related to actuarial tables or other observable inputs	2,867	9,354	38,757	4,420	78,318	133,716
Balance at December 31, 2016	$ 138,985	$ 337,087	$ 280,272	$ 86,471	$ 1,190,393	$ 2,033,208

The following table represents the Village's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	**Fair Value**	**Principal Valuation Technique**	**Unobservable Inputs**	**Range of Significant Input Values**
Charitable remainder trust	$ 337,087	Present value of beneficial interests	Discount rate Years remaining	3.75% 13.58
Beneficial interest in gift annuity	$ 86,471	Present value of beneficial interests	Discount rate Years remaining	3.75% 3.13 – 9.61
Pooled income fund	$ 138,985	Present value of beneficial interests	Discount rate Years remaining	4.00% - 9.00% 9.0 – 23.0

(15) Fair Value Measurement, Cont'd

The following table summarizes the valuation of the Village's fair value measurements in accordance with authoritative guidance at December 31, 2015:

Asset Category	Level 1	Level 2	Level 3	Total
Equities:				
Technology	$ 2,451	$ -	$ -	$ 2,451
Other	28,461	-	-	28,461
Mutual funds:				
Large blend/growth/value	313,288	-	-	313,288
Bank loan	46,161	-	-	46,161
Bond funds	385,077	-	-	385,077
Small blend	40,084	-	-	40,084
World allocation	49,901	-	-	49,901
Other	81,902	-	-	81,902
Municipal bonds	16,179	-	-	16,179
Sub-total investments	963,504	-	-	963,504
Pooled income fund	-	-	138,280	138,280
Charitable remainder trust	-	-	327,733	327,733
Cash surrender value insurance	-	-	241,515	241,515
Beneficial interest in gift annuity	-	-	95,141	95,141
Beneficial interest in perpetual trusts	-	-	1,157,576	1,157,576
Endowment funds:				
Financial equities	946,082	-	-	946,082
Bond funds	1,116,817	-	-	1,116,817
Foreign securities	376,983	-	-	376,983
Commodities broad basket	114,936	-	-	114,936
Global real estate	94,871	-	-	94,871
Diversified emerging markets	242,646	-	-	242,646
Small value	115,166	-	-	115,166
Sub-total endowment funds	3,007,501	-	-	3,007,501
Total assets measured at fair value	$ 3,971,005	$ -	$ 1,960,245	$ 5,931,250

(15) Fair Value Measurement, Cont'd

The following table summarizes the Village fair value ("FV"), net present value ("NPV") and cash surrender value ("CSV") measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2015:

	FV Pooled Income Fund	NPV Charitable Remainder Trust	CSV Life Insurance	FV Beneficial Interest in Gift Annuity	NPV Beneficial Interest in Perpetual Trusts	Total
Balance at January 1, 2015	$ 160,754	$ 369,143	$ 202,826	$ 109,199	$ 1,252,047	$ 2,093,969
Distributions	(2,560)	-	-	(13,090)	(41,149)	(56,799)
Change in valuation related to actuarial tables or other observable inputs	(19,914)	(41,410)	38,689	(968)	(53,322)	(76,925)
Balance at December 31, 2015	$ 138,280	$ 327,733	$ 241,515	$ 95,141	$ 1,157,576	$ 1,960,245

The following table represents the Village's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	**Fair Value**	**Principal Valuation Technique**	**Unobservable Inputs**	**Range of Significant Input Values**
Charitable remainder trust	$ 327,733	Present value of beneficial interests	Discount rate Years remaining	3.50% 13.8
Beneficial interest in gift annuity	$ 95,141	Present value of beneficial interests	Discount rate Years remaining	3.50% 3.3 - 10.2
Pooled income fund	$ 138,280	Present value of beneficial interests	Discount rate Years remaining	4.00% - 9.00% 9.0 – 23.0

(15) Fair Value Measurement, Cont'd

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Village's Board of Directors assesses and approves these policies and procedures. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

Investments in common stock and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using the income approach. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques as discussed below. There were no changes in the valuation techniques used during the current year.

Pooled income funds consist of contributions from many donors that are pooled and invested as a group. Donors receive the income until their death. Upon their death, the value of their asset reverts to the Village. The assets are composed of investment grade fixed income securities which become Level 3 when adjusted using actuarial tables to estimate the remaining lives of the participants and an appropriate interest rate (ranging from 4.00% – 9.00%) to calculate the net present value of the trust.

Beneficial interest in a charitable remainder trust is an asset that will be received upon the death of the donor. While the trust itself is composed of common stock, fixed income securities and mutual funds, the value of those assets is adjusted using actuarial tables to estimate the remaining life of the donor and an appropriate interest rate to calculate the net present value of the trust.

Cash surrender value of life insurance policies are those policies where the donor has identified the Village as the beneficiary. The value is predetermined by the insurance company as the value to be paid if the policy were to be surrendered prior to the death of the insured. In February 2011, the Village obtained three policy loans totaling approximately $364,000 on the life insurance policies of which the Village has been named as the beneficiary. The notes have annual interest rates that vary between 5.15% and 7.40% which are required to be paid annually. Principal payments are encouraged but have no payment schedule as these amounts reduce the death benefits and cash surrender value of the policies. Interest expense related to the loans was approximately $21,000 and $14,000 for 2016 and 2015, respectively.

(15) Fair Value Measurement, Cont'd

Beneficial interests in gift annuities are an arrangement whereby the donor contributes assets to the Village in exchange for a promise by the Village to pay them a fixed amount for a specified period of time. The underlying assets are composed of cash equivalents or fixed income securities adjusted using actuarial tables to estimate the remaining life of the donor and an appropriate interest rate (3.75% at December 31, 2016) to calculate the net present value of the asset.

Beneficial interests in perpetual trusts are an arrangement whereby a donor establishes and funds a perpetual trust that is administered by a third party. The Village has the irrevocable right to receive the income earned on the trusts assets in perpetuity, but will never receive the assets. The fair value of the beneficial interest in perpetual trusts approximates the expected future cash receipts from the trusts assets.

Endowment funds are established by donor-restricted gifts to provide a permanent source of income. The donor may place time and/or purpose restrictions on the use of the funds. The endowment funds are invested in money market, mutual funds and equity and debt securities.

(16) Commitments and Contingencies

Litigation

In the normal course of business, the Village is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any claims would not materially affect the operations or the financial position of the Village.

(17) Subsequent Events

The Village has evaluated subsequent events through August 3, 2017 which is the date the financial statements were available to be issued.

Supplemental Schedules

For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development:				
Continuum of Care Program- Boulevard Apartments	14.267	CA0802L9D011406 & CA0802L9D011507	$ 19,583	$ 41,355
Continuum of Care Program-Family Living Center	14.267	CA0536L9D011407 & CA0536L9D011508		527,907
Continuum of Care Program-Fresh Start	14.267	CA0537L9D011407		91,347
Continuum of Care Program-Solutions IV	14.267	CA0542L9D011407	173,016	176,432
Continuum of Care Program-Solutions II/V	14.267	CA0543L9D011407	234,798	312,813
Continuum of Care Program-TASD	14.267	CA0551L9D011407 & CA0551L9D011508		418,596
Continuum of Care Program-Rapid Rehousing Housing for Families	14.267	CA1348L9D011400 & CA1348L9D011501		577,835
Continuum of CareProgram - Rapid Rehousing Housing for Singles	14.267	CA1432L9D011500		41,074
Continuum of CareProgram - Supportive for Chronically Homeless	14.267	CA1510L9D011500		6,346
				2,193,705
Pass-through from County of San Diego:				
Housing Opportunities for Persons with AIDS-Josue Homes	14.241	541352		258,065
Housing Opportunities for Persons with AIDS-Josue Homes-Housing Ope	14.241	552134		241,079
				499,144
Pass-through from San Diego Housing Commission:				
Emergency Solutions Grant Program RRH	14.231	SHI-14-01C		29,753
Emergency Solutions Grant Program Interim Housing	14.231	HIT 15-14		159,095
Community Development Block Grants Interim Housing	14.218	HIT 15-14		274,030
Continuum of Care Program -Villa Harvey Mandel/16th and Market	14.267	CA0534L9D011306 & CA0534C9D011407		392,897
Continuum of Care Program -Village Place/15th & Commercial	14.267	CA0545L9D011306 & CA0545L9D011407		228,275
				1,084,050
Total U.S. Department of Housing and Urban Development:				3,776,899
Department of Homeland Security:				
Pass-through from Catholic Charities				
FEMA - JKC	97.024	EFSP Phase 32		145,236
Emergency Food and Shelter National Board Program - Congregate Food	97.024	EFSP Phase 32		81,469
Total Department of Homeland Security:				226,705

See accompanying notes to Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services:				
Substance Abuse & Mental Health Services (SAMHSA)	93.243	1H79TI025740	$ -	$ 397,385
Health Care for the Homeless - Health Center Cluster	93.224	H80CS10606		1,112,849
Affordable Care Act (ACA) Grants for Capital Development in Health Ce	93.526	C8CCS27687		232,695
Total Department of Health and Human Services:				1,742,929
Department of Agriculture:				
Pass-through from California Department of Education				
Child & Adult Care Food Program (CACFP)	10.558	04587-CACFP-37-NP-IC Vendor #N55401		178,813
Total Department of Agriculture:				178,813
Department of Veterans Affairs:				
VA Homeless Providers Grant and Per Diem Program	64.024	03-110-CA	270,490	772,943
Pass-through from Veterans Village of San Diego:				
VA Supportive Services for Veteran Families Program	64.033	MOA with VVSD		83,392
Total Department of Veterans Affairs:				856,335
	Total Expenditures of Federal Awards			$ 6,781,681

See accompanying notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of St. Vincent de Paul Village, Inc. under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of St. Vincent de Paul Village, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of St. Vincent de Paul Village, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available.

St. Vincent de Paul Village, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

3. Subrecipients

See Schedule of Expenditures of Federal Awards for amounts provided to subrecipients.

4. Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Audit Committee
St. Vincent de Paul Village, Inc.
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **St. Vincent de Paul Village, Inc.** (the "Village"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identified deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies as item 2016-001 and 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

San Diego, California
August 3, 2017

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Federal Awards Required by Uniform Guidance

To the Audit Committee
St. Vincent de Paul Village, Inc.
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited **St. Vincent de Paul Village, Inc.'s** (the "Village") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal program for the year ended December 31, 2016. The Village's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Village's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-004 that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

San Diego, California
August 3, 2017

Section I - Summary of Auditors' Results:

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	______Yes __X__No
Significant deficiencies identified?	__X__Yes ______None Reported
Noncompliance material to the financial statements noted?	______Yes __X__No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	______Yes __X__No
Significant deficiencies identified?	__X__Yes ______None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______Yes __X__None Reported

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.241	Housing Opportunities for Persons with AIDS (HOPWA)
64.024	VA Homeless Providers Grant and Per Diem Program
93.224	Health Care for the Homeless – Health Center Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee?	__X__Yes ______No

Section II - Financial Statement Findings

Finding Number 2016-001: Material Audit Adjustments

Criteria
An important element of control over financial reporting is for management to identify adjustments necessary for financial statements to be fairly stated. Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit. However, when this is not possible, management should ensure that the auditors are made aware of potential areas where adjustments may be needed.

Condition
Subsequent to receipt of the trial balance approximately 50 journal entries were posted to adjust year end balances. In addition to closing entries provided by management, during the audit there were auditor-identified adjustments affecting revenues, receivables, expenses, accrued liabilities and related party balances.

Cause
The Village's internal controls over the financial reporting, as implemented during the year ended December 31, 2016, did not allow for the identification and correction of revenues, receivables, expenses, accrued liabilities and related party balances.

Effect
Audit adjustments were required to correct revenues, receivables, expenses, accrued liabilities and related party balances.

Recommendation
We recommended that the Village consistently implement its internal controls over the financial reporting process to ensure that all necessary adjustments are posted to properly state the financial statements in accordance with accounting principles generally accepted in the United States of America.

Finding Number 2016-002: Medical and Dental Services Revenue and Receivables

Criteria
Per authoritative guidance revenue from health care services should be recorded when the service is provided to the patient and receivables from health care services should be reported net of contractual adjustments, discounts and the allowance for uncollectible accounts.

Condition

In performance of our audit, it was noted that the Village was unable to produce detailed transaction reports from the Electronic Health Records (EHR) software to support the medical revenue recorded for January and February 2016 and the dental revenue recorded for January through July 2016. The Village transitioned to a new EHR software for medical billing in March 2016 and to a new EHR software for dental billing in August 2016. The Village did not export the detailed transaction reports necessary to support the revenue recorded prior to cancelling the initial EHR software license.

Subsequent to the transition to the new medical EHR software program, the Village recorded revenue from medical services when the service claim was submitted for billing as opposed to when the service was provided.

Additionally, known contractual health care services adjustments were not properly input into the two new EHR software programs implemented during 2016, therefore these contractual adjustments were not properly recorded in the general ledger. Contractual adjustments were recorded by Village when payment of the receivable was received. Historical information to determine the net realizable value of receivables from health care services, specifically in relation to the allowance for uncollectible accounts, was not consistent enough to allow management a sufficient baseline to determine the allowance.

Cause

The Village's internal controls over the transition the new EHR software to ensure all reports were properly exported from the existing EHR system prior to the cancellation of the license and the new EHR system was functioning to properly report revenue and receivables accurately for recording in the general ledger were not properly designed to ensure instances that could result in a material misstatement would be identified by management.

Effect

A material adjustment was required to correct medical and dental revenue and receivable balances.

Recommendation

We recommended that the Village develop a formal policy to ensure that revenue from medical and dental services is recorded in accordance with accounting principles generally accepted in the United States of America.

In addition, we recommend that the Village continue to refine its estimate of the net realizable value, specifically in relation to the allowance for uncollectible accounts, as historical information is collected from the new medical and dental EHR software that was implemented in 2016.

Section III - Federal Award Findings and Questioned Costs

Finding Number 2016-003: Program Income - Housing Opportunities for Persons with AIDS (HOPWA), CFDA No. 14.241, Grant Award Period Year Ended December 31, 2016

Criteria

Per 24 CFR section 574.310, except for persons in short-term supportive housing, each person receiving rental assistance under the HOPWA Program must pay as rent the higher of: (1) 30 percent of the family's monthly adjusted gross income; (2) 10 percent of the family's monthly gross income; or (3) the portion of the payments that is designated if the family is receiving payments for welfare assistance from a public agency and a part of the payments, adjusted in accordance with the family's actual housing costs, is specifically designated by the agency to meet the family's housing costs.

Condition

Per review of the participant information provided, the Village is calculating rent, but per discussion with management, the Village was not charging the HOPWA participants rent during the year ended December 31, 2016.

Cause

The Village's internal controls over grant compliance did not identify this as a requirement of the grant.

Effect

Program income is not being generated.

Identification as a repeat finding

Not a repeat finding.

Recommendation

We recommend the Village implement policies and processes to ensure that participants are being charged rent in accordance with HOPWA requirements.

Finding Number 2016-004: Program Income - Health Care for Homeless - Health Center Cluster, CFDA No. 93.224, Grant Award Year Ended December 31, 2016

Criteria

Per 42 CFR 51c.30 (f) A health center must have prepared a schedule of fees or payments for the provision of its services designed to cover its reasonable costs of operation and a corresponding schedule of discounts adjusted on the basis of the patient's ability to pay. Provided, That such schedule of discounts shall provide for a full discount to individuals and families with annual incomes at or below those set forth in the most recent CSA Poverty Income Guidelines (45 CFR

1060.2) and for no discount to individuals and families with annual incomes greater than twice those set forth in such Guidelines, except that nominal fees for services may be collected from individuals with annual incomes at or below such levels where imposition of such fees is consistent with project goals. (g) Make every reasonable effort, including the establishment of systems for eligibility determination, billing, and collection, to: (1) Collect reimbursement for its costs in providing health services to persons who are entitled to insurance benefits under title XVIII of the Social Security Act, to medical assistance under a State plan approved under title XIX of such Act, to social services and family planning under title XX of such Act, or to assistance for medical expenses under any other public assistance program, grant program, or private health insurance or benefit program on the basis of the schedule of fees prepared pursuant to paragraph (f) of this section without application of any discounts, and (2) Secure from patients payments for services in accordance with the schedule of fees and discounts required by paragraph (f) of this section.

Condition
Per review of the patient information provided, the Village is not consistently utilizing the Sliding Fee Scale prepared internally to bill Sliding Fee Scale fees on the basis of the patient's ability to pay.

Cause
The Village's policies and process regarding billing in accordance with the Sliding Fee Scale were not consistently implemented.

Effect
Program income is not being consistently calculated in accordance with the Sliding Fee Scale.

Identification as a repeat finding
Not a repeat finding.

Recommendation
We recommend that the Village review its policies and processes for utilizing the Sliding Fee Scale to determine the patient's ability to pay and provide additional training to its clinic staff.