S.V.D.P. Management, Inc. and Consolidated Entities

Consolidated Financial Statements
and Supplemental Schedules
Years Ended December 31, 2017 and 2016

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S.V.D.P. Management, Inc. and Consolidated Entities

Contents

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Independent Auditors' Report

To the Audit Committee
S.V.D.P. Management, Inc. and Consolidated Entities
San Diego, California

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of **S.V.D.P. Management, Inc. and Consolidated Entities** (the "Organization"), a nonprofit corporation, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **S.V.D.P. Management, Inc. and Consolidated Entities** as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The statement of financial position of S.V.D.P. Management, Inc. as of December 31, 2017 and 2016, and the related statement of activities for the years then ended, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated 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 consolidated financial statements as a whole.

Correction of Error

As discussed in Note 1 to the financial statements, certain errors resulting in understatement of amounts previously reported for interest expense, debt and accrued interest as of December 31, 2016, were discovered by management of the Organization during the current year. Accordingly, amounts reported for interest expense, debt accrued interest have been restated in the 2016 financial statements now presented and an adjustment has been made to beginning net assets as of January 1, 2016 to correct the error. Our opinion in not modified as respect to that matter.

Mayer Hoffman McCann P.C.

San Diego, California
June 27, 2018

S.V.D.P. Management, Inc. and Consolidated Entities

Consolidated Statements of Financial Position

As of December 31,		**2017**		2016
Current assets:				
Cash and cash equivalents	**$**	**4,775,584**	$	1,657,542
Investments		**764,782**		687,342
Contributions receivable		**140**		403
Grants receivable		**1,360**		2,543
Inventory - automobiles		**103,430**		219,762
Prepaid expenses and other current assets		**730,022**		868,094
Total current assets		**6,375,318**		3,435,686
Property and equipment:				
Land		**15,699,600**		15,699,600
Buildings and improvements		**163,178,745**		163,850,584
Furniture and equipment		**7,206,084**		7,668,420
		186,084,429		187,218,604
Less accumulated depreciation and amortization		**(57,250,921)**		(54,916,954)
Construction in progress		**735,843**		236,107
Net property and equipment		**129,569,351**		132,537,757
Designated cash fund and statutory reserves		**4,978,809**		4,238,043
Due from Martha's Village and Kitchen, Inc.		**1,463,061**		1,343,061
Due from St. Vincent de Paul Village, Inc.		**11,822,755**		9,159,654
Charitable remainder trust		**374,433**		347,292
Property held for sale		**-**		7,077,500
Deposits and other assets		**181,158**		199,611
Total assets	**$**	**154,764,885**	$	158,338,604
Current liabilities:				
Accounts payable	**$**	**619,719**	$	996,569
Accrued liabilities		**307,424**		586,348
Accrued interest		**6,579,906**		5,930,265
Current portion of long-term debt		**89,993**		4,455,358
Total current liabilities		**7,597,042**		11,968,540
Forgivable debt		**4,185,543**		4,685,543
Long-term debt, net of current portion		**49,552,378**		48,448,141
Less unamortized bond issuance costs, net		**(165,019)**		(180,337)
Net long-term debt		**49,387,359**		48,267,804
Interest rate swap liability		**1,189,781**		1,239,046
Deferred grant revenue		**11,888,389**		13,221,673
Total liabilities		**74,248,114**		79,382,606
Noncontrolling limited partners' interests in real estate limited partnerships		**6,298,272**		9,078,728
Net assets:				
Unrestricted - as restated		**70,695,788**		69,529,978
Temporarily restricted		**3,522,711**		347,292
Total net assets		**74,218,499**		69,877,270
Total liabilities and net assets	**$**	**154,764,885**	$	158,338,604

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

Consolidated Statements of Activities

Year Ended December 31,	**2017**	2016
Contributions from organizations, foundations and individuals	**$ 676,945**	$ 241,296
Sales of donated automobiles	**2,470,132**	2,646,462
Contract charges for services to St. Vincent de Paul Village, Inc. and Martha's Village and Kitchen, Inc.	**1,467,857**	1,686,145
Rental income	**6,439,460**	6,594,786
Grant income	**1,638,301**	1,596,249
Interest income	**40,027**	95,726
Gain on acquisition of partnership interest	**-**	294,683
Gain on sale of property held for sale	**2,065,189**	830,492
Miscellaneous income	**415,401**	147,944
Total revenue, contributions and other	**15,213,312**	14,133,783
Expenses and donations:		
Administration	**2,244,112**	1,414,288
Fundraising	**394,485**	331,001
Program expenses:		
Salaries and employee benefits	**1,873,017**	2,249,824
Advertising	**262,070**	377,185
Preparation expense of donated automobiles	**220,207**	245,092
Other	**3,846,791**	3,784,818
Interest	**1,569,063**	1,791,889
Depreciation and amortization	**4,429,124**	5,210,261
Impairment loss on property held for sale	**-**	319,816
Loss on sale of fixed assets	**3,345**	-
Total program expenses	**12,203,617**	13,978,885
Donation to St. Vincent de Paul Village, Inc.	**2,035,000**	800,000
Total expenses and donations	**16,877,214**	16,524,174
Change in unrestricted net assets from operations before equity of limited partners in losses of limited partnerships	**(1,663,902)**	(2,390,391)
Gain on mark-to-market of interest rate swap	**49,265**	120,095
Change in unrestricted net assets before noncontrolling equity of limited partners in operating results of limited partnerships	**(1,614,637)**	(2,270,296)
Equity of limited partners in operating results of real estate limited partnerships	**2,780,447**	2,878,458
Change in unrestricted net assets	**1,165,810**	608,162
Changes in temporarily restricted net assets:		
Contributions from organizations, foundations and individuals	**3,148,278**	-
Change in value of charitable remainder trust	**27,141**	8,173
Change in temporarily restricted net assets	**3,175,419**	8,173
Change in net assets	**4,341,229**	616,335
Net assets at beginning of year - as restated	**69,877,270**	69,260,935
Net assets at end of year	**$ 74,218,499**	$ 69,877,270

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

Consolidated Statements of Cash Flows

Year Ended December 31,	**2017**	2016
Operating activities:		
Change in net assets	**$ 4,341,229**	$ 616,335
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**4,429,124**	5,210,261
Noncontrolling limited partners' equity in operating results of limited partnerships	**(2,780,447)**	(2,878,458)
Gain on sale of property held for sale	**(2,065,189)**	(830,492)
Debt forgiveness	**(500,000)**	-
Non cash interest expense	**104,660**	124,652
Realized and unrealized gain on investments	**(74,744)**	(39,187)
Gain on mark-to-market of interest rate swap	**(49,265)**	(120,095)
Change in value of charitable remainder trust	**(27,141)**	(8,173)
Bad debt expense	**26,153**	28,398
Loss on sale of fixed assets	**3,345**	-
Impairment loss on property held for sale	**-**	319,816
Gain on acquisition of partnership interest	**-**	(294,683)
Changes in operating assets and liabilities:		
Contributions receivable	**263**	2,016
Grants receivable	**1,183**	153,092
Inventory- automobiles	**116,332**	(16,740)
Prepaid expenses and other current assets	**111,918**	(136,877)
Due from Martha's Village and Kitchen, Inc.	**(120,000)**	(220,878)
Due from St. Vincent de Paul Village, Inc.	**(2,663,101)**	(2,366,419)
Deposits and other assets	**(5,889)**	(250)
Accounts payable	**(384,897)**	41,396
Accrued liabilities	**(278,924)**	266,053
Accrued interest	**649,641**	807,561
Development fee payable to St. Vincent de Paul Village, Inc.	**-**	(47,405)
Deferred grant revenue	**(1,333,284)**	(1,333,284)
Net cash used in operating activities	**(499,033)**	(723,361)
Investing activities:		
Proceeds from sale of property held for sale	**8,789,040**	1,631,237
Purchases of property and equipment	**(514,517)**	(539,098)
Decrease in designated cash fund and statutory reserves	**15,180**	681,755
Proceeds from sale of fixed assets	**3,250**	-
Purchases of investments	**(2,696)**	-
Proceeds from sale of investments	**-**	8,879
Net cash provided by investing activities	**8,290,257**	1,782,773
Financing activities:		
Payments on long-term debt	**(4,782,635)**	(814,412)
Proceeds from long-term debt	**109,463**	-
Limited partnership distribution to St. Vincent de Paul Village, Inc.	**(10)**	-
Net cash used in financing activities	**(4,673,182)**	(814,412)
Net change in cash and cash equivalents	**3,118,042**	245,000
Cash and cash equivalents at beginning of year	**1,657,542**	1,412,542
Cash and cash equivalents at end of year	**$ 4,775,584**	$ 1,657,542

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

Year Ended December 31,		**2017**		2016
Interest paid	**$**	**653,400**	$	883,800
Income taxes paid	**$**	**8,100**	$	11,300

Supplemental Disclosure of Noncash Financing Activities

In 2016, Martha's Village, L.P. was dissolved and its assets and liabilities were acquired by S.V.D.P. No consideration was paid for the assets. As a result of the dissolution, S.V.D.P. recorded an increase in unrestricted net assets of $125,515.

In 2016, S.V.D.P. acquired the Martha's Village and Kitchen, Inc. receivable balance from St. Vincent de Paul Village, Inc. in exchange for a reduction in the amount due from St. Vincent de Paul Village, Inc. of $968,885.

In 2016, S.V.D.P. reduced the receivable balance from Martha's Village and Kitchen, Inc. in exchange for forgiveness of the note payable to Martha's Village and Kitchen, Inc. of $4,298,727.

In 2017, S.V.D.P. acquired $559,486 of property and equipment additions that are included in accounts payable and debt.

In 2017, S.V.D.P funded an interest reserve with proceeds from debt from a new lender. The interest reserve has a balance of $755,946 at December 31, 2017.

In 2017, S.V.D.P. refinanced $5,140,431 of debt with a new lender.

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

(1) Organization And Significant Accounting Policies

Organization

S.V.D.P. Management, Inc. ("S.V.D.P."), develops, maintains and leases property, receives and sells donated automobiles and provides contract services for St. Vincent de Paul Village Inc. (the "Village") which through fundraising activities provides charitable services for the homeless in San Diego, California.

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, S.V.D.P. terminated their relationship with MVK.

S.V.D.P. is the general partner of Villa Harvey Mandel, L.P., 16th and Market, L.P., 3137 El Cajon Boulevard, L.P., and limited partner and general partner of Village Place Apartments, L.P. Until November 30, 2016, S.V.D.P. was also the general partner of Martha's Village, L.P. S.V.D.P. is the sole member of Bishop Maher Center, LLC, which is the managing general partner of 15th & Commercial, L.P. A summary of the limited partnerships are as follows:

Village Place Apartments, L.P.

Village Place Apartments, L.P. ("Village Place") is a California limited partnership formed to develop and operate affordable housing, including housing that qualifies for low-income housing credits under Section 42 of the Internal Revenue Code (the "Code"). At the date of formation of Village Place, January 16, 1997, S.V.D.P. became the general partner. On June 1, 1997, Columbia Housing Partners Corporate Tax Credit V Limited Partnership was admitted as the sole investment limited partner and Columbia Housing SLP Corporation was admitted to the partnership as a special limited partner. Partnership profits and losses are allocated 0.01% to the general partner and 99.99% to the investment limited partner beginning in 1998.

The partners received approximately $66,000 annually of federal low-income housing tax credits from California Tax Credit Allocation Committee ("TCAC") through 2007.

In October 2013, the limited partner and special limited partner sold their Partnership interest to S.V.D.P. and the Village. S.V.D.P. made an investment of $100 and the Village an investment of $10. Partnership profits and losses are allocated 0.01% to the general partner and 99.99% to the investment limited partners. A gain on investment in limited partnership of approximately $328,000 was recorded.

Village Place is operated under a regulatory agreement that regulates rent charges, operating methods and other matters.

Organization, cont'd

Martha's Village, L.P.
On November 30, 2016, the partnership was terminated. The assets of the partnership, including cash, building, land and furniture and fixtures, as well as outstanding debt, were transferred to S.V.D.P. as of November 30, 2016.

Villa Harvey Mandel, L.P.
Villa Harvey Mandel, L.P. ("Villa Harvey Mandel"), a California limited partnership, was formed for the purpose of developing, managing, and operating a 90-unit multi-family apartment complex that qualifies for low-income housing credits under Section 42 of the Code to be known as Villa Harvey Mandel Apartments ("VHM") located in San Diego, California.

From October 19, 2001 to February 12, 2002, the general partner of Villa Harvey Mandel was S.V.D.P., and the limited partner was Father Joe Carroll. On February 12, 2002, the initial limited partner, Father Joe Carroll withdrew from Villa Harvey Mandel and TRGHT, Inc. and The Richman Group Capital Corporation were admitted to the partnership as the investor limited partner and special limited partner, respectively. On February 12, 2002, TRGHT, Inc. withdrew from the partnership as the investor limited partner, and U.S.A. Institutional Tax Credit Fund XXVIII, L.P. was admitted as the investor limited partner. Therefore, beginning on February 12, 2002, the investor limited partner was U.S.A. Institutional Tax Credit Fund XXVIII, L.P. and the special limited partner was The Richman Group Capital Corporation.

Under the amended and restated agreement of limited partnership, the investment partner has contributed approximately $7,228,000 through December 31, 2007. Villa Harvey Mandel profits and losses are allocated 0.01% to both S.V.D.P. and the special limited partner and 99.98% to the investment partner.

Villa Harvey Mandel expects to generate an aggregate of approximately $911,000 of low-income housing tax credits on an annual basis from TCAC. The credits became available for use by its partners pro rata over a ten-year period beginning in June 2003. In order to qualify for these credits, Villa Harvey Mandel must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. Villa Harvey Mandel has also agreed to maintain and operate VHM as low-income housing for another 40 years after that period ends.

16th and Market, L.P.
16th and Market, L.P. ("16th and Market"), a California limited partnership, was formed for the purpose of developing, managing and operating a 136-unit multi-family apartment complex that qualifies for low-income housing credits under Section 42 of the Code, to be known as 16th and Market located in San Diego, California.

Organization, cont'd

On April 6, 2007, the partnership was formed with S.V.D.P. as general partner, and Father Joe Carroll, as limited partner (the "initial limited partner"). On May 24, 2007 an amended agreement was filed admitting Chelsea Investment Corporation 16th and Market, LLC ("CIC"), as administrative general partner. On June 1, 2007, Father Joe Carroll withdrew as the limited partner, U.S.A. Institutional Tax Credit Fund LX, L.P., was admitted as the investment partner and The Richman Group Capital Corporation was admitted as the special limited partner.

In 2007 and 2006, S.V.D.P. received from Ballpark Village, LLC ("BPV") restricted contributions of approximately $71,000 and $1,137,000, respectively, as a reimbursement of certain costs of construction which were invested in 16th and Market. In addition, S.V.D.P. transferred land valued at $8,000,000 to 16th and Market and obtained a $1,000,000 loan from the Affordable Housing Program ("AHP"), which was invested in 16th and Market. In 2012 S.V.D.P. contributed cash of approximately $823,000 to 16th and Market.

BPV contributed approximately $19,037,000 directly to the partnership in June 2009 which constituted equity credit for S.V.D.P. in accordance with the partnership agreement.

Partnership profits and losses are allocated 0.005% to both S.V.D.P. and the administrative general partner and 99.99% to the investment partner.

The Partnership expects to generate approximately $2,607,000 in annual low-income housing tax credits from the California TCAC. The tax credits are available for use by the partners pro rata over a ten-year period beginning in 2010. In order to qualify for these credits, 16th and Market must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operations. The Partnership has also agreed to maintain and operate as low-income housing for another 40 years after that period ends.

3137 El Cajon Boulevard, L.P.

3137 El Cajon Boulevard, L.P. ("Boulevard Apartments") was formed as a California limited partnership to develop, manage, operate and finance a 24-unit multi-family apartment complex for low-income rental housing that qualifies for low income housing credits under Section 42 of the Code with a filing to the state on August 20, 2007. On September 14, 2007, the partnership formation was completed with S.V.D.P. as the general partner and Father Joe Carroll as the limited partner. On May 1, 2008, the agreement was amended to continue the partnership with S.V.D.P. as the general partner, admit TRGHT, Inc. as the investor limited partner and The Richman Group Capital Corporation, as the special limited partner, Father Joe Carroll withdrew as the initial limited partner. On August 19, 2008, the existing investment partner, TRGHT, Inc. received a full refund of its capital contribution and withdrew from Boulevard Apartments. U.S.A. Institutional Tax Credit Fund LXVII L.P. was admitted as the new investment partner.

Organization, cont'd

Under the amended and restated agreement of the limited partnership the investment partner has contributed approximately $3,651,000. S.V.D.P. transferred land valued at $1,210,000 and $400,000 from a HUD construction grant. Profits and losses are allocated 0.01% to S.V.D.P. and 99.99% to the investment partner.

The Partnership expects to generate an aggregate of approximately $4,017,000 of low-income housing tax credits from TCAC. The tax credits are available for use by the partners pro rata over a ten-year period beginning in 2010. In order to qualify for these credits, Boulevard Apartments must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income housing tenants at rental rates which do not exceed specific percentages of area median gross income for the first 15 years of operations. The Partnership has also agreed to maintain and operate as low-income housing for another 40 years after that period ends.

15th & Commercial, L.P.

15th & Commercial, L.P. ("15th & Commercial") was initially established in June 2009 with S.V.D.P. as the general partner and Father Joe Carroll as the limited partner. In December 2009, the partnership certificate was amended to include 15th & Commercial CIC, LLC as a co-general partner. In April 2011, S.V.D.P. Management and 15th & Commercial CIC were replaced as general partners by Bishop Maher Center LLC. S.V.D.P. is the sole member of this LLC. Father Joe Carroll withdrew as the limited partner and 15th Investment CIC, LLC was admitted as the limited partner.

In April 2011, the Partnership admitted MCAP San Diego, LLC as a Class B limited partner and MCAP IV Special Partner, LLC as special limited partner. Bishop Maher Center, LLC continues as the managing general partner and 15th Investment CIC, LLC remains limited partner. Upon achievement of certain requirements, the Class B limited partner contributed approximately $1,042,000 to fund a services reserve to fund services of the project. Projected losses of approximately $11,059,000 are available for allocation to the Class B and special limited partners.

The Partnership was formed for the purpose of development, construction, and operations of a 12-story project that includes a child development center, 150 beds of transitional housing and 64 units of permanent supportive housing. Construction financing closed and the groundbreaking took place in May 2010. The construction of the project was completed in December 2011.

Under the amended and restated Agreement of the Limited Partnership ("Partnership Agreement") profits or losses are allocated 49.90% to the limited partner, 50.08% to the Class B limited partner, 0.01% to the special limited partner, and 0.01% to the managing general partner.

Organization, cont'd

All of the Partnerships will continue to operate until such date as determined by the limited partnership agreements or until terminated in accordance with the provisions of the applicable partnership agreements.

Restatement of 2016 financial statements

As a result of an outside agency confirming their note receivable, it came to management's attention that a $460,000 forgivable note issued in 1998 had not been properly recorded to the general ledger. Corrective and preventive actions were immediately taken upon notification of this outstanding forgivable debt. Management completed a title search on potentially effected properties to ensure there is no additional debt outstanding that is not recorded. In addition, management has a process in place to ensure that debt is properly recorded to the general ledger in accordance with Generally Accepted Accounting Principles. Management has restated its results for the prior year, 2016. The effect of the 2016 restatement was to decrease beginning net assets by $703,800, decrease ending net assets by $717,600, which accounted for the $460,000 note payable and associated $257,600 of accrued interest since 1998. The 2016 restatement also increased interest expense by $13,800.

2016 As Previously Reported	2016 Restated
Beginning Net Assets $69,964,735	Beginning Net Assets $69,260,935
Interest Expense $1,778,089	Interest Expense $1,791,889
Forgivable Debt $4,225,543	Forgivable Debt $4,685,543
Accrued Interest $5,672,665	Accrued Interest $5,930,265
Ending Net Assets $70,594,870	Ending Net Assets $69,877,270

Principles of consolidation

S.V.D.P., Village Place, Villa Harvey Mandel, 16th and Market, Boulevard Apartments, 15th & Commercial, and Bishop Maher Center, LLC have been consolidated and all material partner agency transactions and accounts have been eliminated in the accompanying consolidated financial statements.

Basis of accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with authoritative guidance. Accordingly, S.V.D.P. 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 donations are considered to be available for unrestricted use unless specifically restricted by the donor. S.V.D.P. has no permanently restricted net assets.

Investments

S.V.D.P. carries investments in equity securities with readily determinable fair values and all investments in debt securities at fair value with realized and unrealized gains and losses included in the consolidated statements of activities. 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.

Inventory

Inventory consists primarily of donated automobiles. Donated automobiles are stated at estimated fair value at the time of donation.

Property held for sale

Property held for sale is stated at the lower of its carrying amount or fair value less cost to sell.

Impairment losses are recorded when indicators of impairment are present and the undiscounted estimated cash flows from the property are less than the carrying value. In 2017, S.V.D.P. recorded no impairment loss. Properties were sold in 2017 with a related gain of approximately $2,065,000. In 2016, S.V.D.P. recorded an impairment loss of approximately $320,000. Properties were sold in 2016 with a related gain of approximately $830,000.

Contributions receivable

S.V.D.P. records promises to give and receive cash and other assets at fair value in the period in which the promise is made. Conditional promises to give are recognized when the conditions are substantially met in accordance with authoritative guidance for non-profit organizations. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a current risk-adjusted interest rate. Accretion of the discount is included in contribution revenue. Conditional promises to give are not recorded as contributions until such time as the conditions are substantially met.

Contributions receivable, cont'd

S.V.D.P. provides for losses on contributions receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of donors to meet their obligations. Receivables are written off when deemed uncollectible.

All receivables are unsecured and thus, are subject to credit risk.

Grant revenue

S.V.D.P. is awarded grants from federal, state and private agencies. Grants are typically awarded for a multi-year period, with the amount awarded negotiated in advance. Grant revenue is recognized when the related program costs are incurred. Unexpended grant funds received in advance of the related expenditures are reported as deferred grant revenue.

Long-lived assets

S.V.D.P. 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. S.V.D.P. determined there was no impairment at December 31, 2017 or 2016.

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.

Cash equivalents

S.V.D.P. considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk

Financial instruments which potentially subject S.V.D.P. to concentrations of credit risk consist primarily of cash and cash equivalents. S.V.D.P. maintains its cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed federally insured limits. S.V.D.P. believes it is not exposed to significant credit risk and has not experienced such losses.

Advertising

S.V.D.P. expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2017 and 2016 were approximately $262,000 and $377,000, respectively.

Income taxes

S.V.D.P. 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, 2017, the federal statute of limitation remains open for the 2014 through 2017 tax years and the statute of limitations for the state income tax returns remains open for the 2013 through 2017 tax years.

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 forty 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 related to property and equipment was approximately $4,429,000 and $5,210,000 for the years ended December 31, 2017 and 2016, respectively.

S.V.D.P. capitalizes interest cost related to the development and construction of property and equipment. The capitalized interest is recorded as part of the asset it relates to and will be amortized over the asset's useful life once the asset is ready for its intended use. Approximately $84,000 of interest was capitalized in 2017. No interest was capitalized in 2016.

Bond issuance costs

Bond issuance costs are capitalized and amortized over the term of the bond using the straight-line method.

Derivative financial instruments

S.V.D.P. makes limited use of derivative instruments for the purpose of managing interest rate risks. Interest rate swap agreements are used to convert S.V.D.P.'s floating rate long-term debt to a fixed interest rate. As required by authoritative guidance, S.V.D.P. recognizes all derivatives as either assets or liabilities in the consolidated statements of financial position and measures those instruments at fair value. Changes in fair value of those instruments are reported in the consolidated statements of activities.

Functional expenses

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

Reclassifications

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform with the 2016 classifications. These reclassifications have no effect on reported net assets or change in net assets.

(2) Related Party Transactions

Contract services with St. Vincent de Paul Village, Inc.

S.V.D.P. has a service contract with the Village to provide administrative services. The charges under this contract were approximately $1,468,000 and $1,657,000 in 2017 and 2016, respectively.

Related party rental income

S.V.D.P., Village Place and 15th & Commercial lease property for the various operating activities of the Village and under long-term operating leases expiring at various dates through 2028. Generally these leases are adjusted annually for changes in the Consumer Price Index.

Aggregate minimum lease payments expected to be received by S.V.D.P., Village Place and 15th & Commercial from the Village's operating activities in the five years subsequent to December 31, 2017 and thereafter are as follows:

Year Ending December 31,	
2018	$ 2,859,793
2019	2,833,810
2020	908,893
2021	921,644
2022	881,593
Thereafter	293,098
Total	$ 8,698,831

Included in rental income were amounts from Village of approximately $2,904,000 and $3,016,000 in 2017 and 2016, respectively.

15th & Commercial operating subsidy and Common Area Maintenance (CAM) charges from St. Vincent de Paul Village, Inc.

An operating subsidy is mandated by the 15th & Commercial transitional housing lease. Per the lease agreement, on December 3rd of each calendar year the Village shall pay 15th & Commercial 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. This payment is to supplement the difference between the maximum allowable TCAC rent rate charged to tenants and the cost to maintain the units. The subsidy was approximately $202,000 and $186,000 in 2017 and 2016, respectively.

The Village pays CAM charges for the property leased from 15th & Commercial. The CAM charges were approximately $356,000 and $374,000 in 2017 and 2016, respectively.

Donations to related parties

S.V.D.P. made donations to support the operations of the Village of $2,035,000 and $800,000 in 2017 and 2016, respectively.

Due to/from St. Vincent de Paul Village, Inc.

The Village and S.V.D.P. provide cash advances and contributions to each other from time to time. At December 31, 2017 and 2016, the Village owed S.V.D.P. approximately $11,823,000 and $9,160,000 respectively.

Pass through grant from St. Vincent de Paul Village, Inc.

The Village has been awarded a grant from the Department of Housing and Urban Development to fund the continuum of care program for Boulevard Apartments housing facilities. The Village passed through approximately $26,000 and $20,000 of supportive housing funding to S.V.D.P. in 2017 and 2016, respectively.

Martha's Village & Kitchen, Inc.

As noted in Note 1, in 2016, S.V.D.P. terminated their relationship with MVK. S.V.D.P. had a service contract with MVK to provide administrative services. The charges under this contract were approximately $29,000 in 2016. No charges were incurred in 2017.

S.V.D.P leases property for operating activities of MVK for $20,000 per month through December 2018. Rental income was $240,000 for 2017 and 2016.

Martha's Village & Kitchen, Inc., cont'd

S.V.D.P. had two notes payable to MVK, a note of approximately $4,236,000 and a note of approximately $63,000 at December 31, 2015. S.V.D.P had a receivable due from MVK of approximately $4,452,000 at December 31, 2015. During 2016, S.V.D.P. and MVK agreed to offset these amounts resulting at December 31, 2016 of no amounts due from S.V.D.P. to MVK and an amount receivable due from MVK of approximately $1,343,000. At December 31, 2017, approximately $1,463,000 was due from MVK.

(3) Debt

Long-term debt consisted of the following at December 31:

	2017	2016
Note held by S.V.D.P. payable to a bank in $26,818 monthly installments of principal and interest. This note was paid in full during 2017.	**$ -**	$ 3,096,569
In June 1998, S.V.D.P. issued $7,485,000 of Certificates of Participation Bonds ("Bonds") to the California Statewide Communities Development Authority. Proceeds from the issuance of the Bonds were used to repay certain indebtedness and provide reserve funds for future properties. The Bonds are collateralized by certain real estate and a bank letter of credit that expires on December 1, 2018. The letter of credit require that S.V.D.P. maintain certain minimum liquidity, debt service coverage and debt to equity covenants. The initial interest rate on the Bonds was 4% which is subject to periodic adjustments. The interest rate in effect at December 31, 2017 was 1.24%. S.V.D.P. is required to set aside in a designated sinking fund $375,000 each year as collateral for the letters of credit. The Bonds are due February 1, 2028.	**395,001**	770,001
Note payable due in May 2022 held by S.V.D.P., bears interest at 3%. The unsecured loan requires interest only payments quarterly, which are deferred if cash is not available at the date due. The loan is to provide working capital for services to clients or predevelopment cost of new facilities.	**500,000**	500,000
Note held by S.V.D.P. payable to a bank in $7,135 monthly installments of principal and interest and a final payment upon maturity of the remaining balance estimated to be approximately $1,105,000. This note was paid in full during 2017.	**-**	1,132,487

(3) Debt, Cont'd

	2017	2016
Note held by S.V.D.P. payable to a bank in $31,674 monthly installments of principal and interest and a final payment upon maturity of the remaining balance estimated to be approximately $4,108,000. This note was paid in full during 2017.	**-**	5,234,334
Note held by S.V.D.P. to borrow up to $8,250,000 to repay certain indebtedness and to finance a portion of the predevelopment costs. The note is secured by a deed of trust, bears interest at 5.75%. The note is payable to bank in full August 30, 2019. S.V.D.P. may extend the term of the note up to 24 months if certain conditions are met.	**6,557,277**	-
Mortgage note payable in monthly installments of $7,195 through 2027 by Village Place, bears interest at 6% and is collateralized by property and equipment.	**640,153**	686,557
Note payable to the San Diego Housing Commission by Villa Harvey Mandel in annual installments commencing April 1, 2004 of the greater of 50% of Villa Harvey Mandel's residual receipts as defined in the loan agreement or $27,034, applied first to unpaid interest and then to principal. The term is 55 years, due February 1, 2057 and is secured by a deed of trust. The interest is compounded annually at the note rate of 5.6%. At December 31, 2017 and 2016, total interest of approximately $1,748,000 and $1,630,000 has been accrued, respectively, of which approximately $1,654,000 and $1,549,000 in 2017 and 2016, respectively, has been added to principal. In April of each year the unpaid interest is added to principal. Payments of approximately $87,000 and $96,000 were paid by Villa Harvey Mandel in 2017 and 2016, respectively.	**3,653,817**	3,549,157
Loan payable by Villa Harvey Mandel in annual installments commencing April 1, 2004 of the remaining balance of the residual receipts calculation under the Order of Priority as defined in Section 8 (b) of the loan agreement. The term is 55 years, due September 30, 2057 with interest at 5%, secured by a deed of trust, a security agreement, an assignment of rent and leases, and an assignment of agreements.	**920,000**	920,000

(3) Debt, Cont'd

	2017	2016
In May 2010, 16th and Market entered into an agreement with the Department of Housing and Community Development in the form of a Multi Housing Program ("MHP") loan. The term of the loan is 55 years. Interest on the unpaid principal balance shall accrue at the simple interest rate of 3% per annum. Payments in the amount of 0.42% per annum on the unpaid principal balance of the loan shall commence on the last day of the initial operating year and continue up to and including the 29th year of the loan. In the 30th year of the loan, and continuing annually thereafter, payments will be the lesser of the full amount of interest accruing on the unpaid principal or an amount determined that is necessary to cover the costs of continued monitoring for compliance. The loan is collateralized by a deed of trust on the properties and assignment of rents.	**10,000,000**	10,000,000
In June 2007, 16th and Market closed construction financing with a bank and received proceeds from Series B bonds issued by the Housing Authority of the City of San Diego for $3,010,000. A deed of trust was recorded on the property. The maturity date of the loan is December 1, 2044. Interest accrues at 6.15% after conversion to permanent financing. Interest and principal are due monthly.	**2,761,982**	2,800,253
In May 2008, Boulevard Apartments entered into a residual receipts loan agreement with the Redevelopment Agency of the City of San Diego for a maximum of $2,400,000. The note bears simple interest at the rate of 3% per annum. The term is 55 years with 50% of residual receipts paid to the agency in years 1 through 30 and 80% in years 31 through 55. The note is secured by a deed of trust.	**2,400,000**	2,400,000

(3) Debt, Cont'd

	2017	2016
In December 2010, Boulevard Apartments entered into a loan agreement with the Department of Housing and Community Development for the Multi Housing-Supportive Housing Program for a maximum of $2,081,535. The note bears simple interest of 3% per annum. The term is 55 years with a required payment of 0.42% per annum on the unpaid principal balance of the loan commencing on the last day of the initial operating year and continuing up to and including the 29th anniversary of the interest payment date. Commencing on the 30th anniversary of the interest payment date and continuing annually thereafter, loan payments are due in an amount equal to the lesser of the full amount of interest accruing on the unpaid principal for the immediately preceding 12 month period, or the amount determined necessary to cover the costs of continued monitoring for compliance by the requirements of the program. Additional payments are required from net cash flow towards repayment of the loan. Secured by a deed of trust on the property.	**2,081,535**	2,081,535
In February 2009, Boulevard Apartments entered into a residual receipts loan agreement with the San Diego Housing Commission for a maximum of $600,000. The note bears simple interest of 3% per annum. The term is 55 years with a required payment of 10% of the annual receipts for years 2012 through 2039 and 16% from 2040 through 2063. The note is secured by a deed of trust. All principal and accrued interest is due December 31, 2063.	**600,000**	600,000
In May 2010, 15th & Commercial entered into a residual receipts loan agreement with the Redevelopment Agency of the City of San Diego for a maximum of $7,300,000 secured by a deed of trust. The note bears simple interest at the rate of 3% per annum. The term is 55 years with 50% of residual receipts paid to the agency in years 1 through 30 and 80% in years 31 through 55.	**6,674,196**	6,674,196

(3) Debt, Cont'd

	2017	2016
In May 2010, 15th & Commercial entered into a residual receipts loan agreement with the Mental Health Services Act Housing Program ("MHSA") for a maximum of $2,357,000 secured by an MHSA deed of trust. The term is 55 years and the note bears simple interest at the rate of 3% per annum. Annual payments of accrued interest and outstanding principal shall be made from 19% of the residual receipts and the initial payment date will be April 1st of the first full fiscal year following the Certificate of Occupancy. Secured by a deed of trust on the property.	**2,357,000**	2,357,000
Note payable to the San Diego Housing Commission by 15th & Commercial not to exceed $3,500,000. The term is 55 years, due January 1, 2066 with interest at 3% and is secured by a deed of trust. On May 1, 2012 and annually on May 1st of each year thereafter during the term of the note, residual receipts shall be calculated for the immediately previous calendar year and a commission of 18% of such residual receipts shall be paid to the San Diego Housing Commission. A one-time payment of $299,941 was due and paid in January 2013; applied to both principal and interest.	**3,463,813**	3,463,813
Note payable to California Tax Credit Allocation Committee with a maturity date of May 12, 2065 and no stated interest rate. Note is secured by a deed of trust on the property.	**6,637,597**	6,637,597
Total debt	**49,642,371**	52,903,499
Less current portion	**(89,993)**	(4,455,358)
Long-term portion	**$ 49,552,378**	$ 48,448,141

Maturities of long-term debt in each of the five years subsequent to December 31, 2017 and thereafter are as follows:

Year Ending December 31,	Amount
2018	$ 89,993
2019	6,652,921
2020	101,174
2021	108,344
2022	615,105
Thereafter	42,074,834
Total	$ 49,642,371

(3) Debt, Cont'd

Forgivable debt consisted of the following as of December 31:

	2017	2016
Redevelopment Agency of the City of San Diego (RDA) loan payable to a bank by S.V.D.P. on behalf of Village Place, forgivable in 2028 and secured by a deed of trust. Interest accrues at 3%. The loan is forgivable as long as the Village Place is in compliance with specific affordable housing requirements.	**$ 460,000**	$ 460,000
Affordable Housing Program (AHP) loan payable to a bank by Villa Harvey Mandel, forgivable in 2020 and secured by a deed of trust, a security agreement, an assignment of rents, and fixture filing. Interest accrues at 1%. The loan is forgivable as long as the Villa Harvey Mandel is in compliance with specific affordable housing requirements.	**900,000**	900,000
AHP loan payable to bank by Martha's Village due in 2031. Interest at Federal Housing Loan Bank ("FHLB") rate collateralized by a trust deed on the property. The loan and accrued interest is forgivable as long as Martha's Village is in compliance with specific affordable housing regulations. The balance of this note was forgiven during 2017.	**-**	500,000
AHP loan payable to bank by S.V.D.P. on behalf of 16th and Market. The loan is forgivable 15 years from January 2009, the date of completion of 16th and Market, and interest does not accrue, as long as 16th and Market is in compliance with specific affordable housing requirements. The loan is collateralized by a deed of trust on the property.	**1,000,000**	1,000,000
AHP loan payable to bank by S.V.D.P. on behalf of 15th & Commercial. The loan is forgivable 15 years from December 2011, the date of completion of 15th & Commercial, and interest does not accrue, as long as 15th & Commercial is in compliance with specific affordable housing requirements. The loan is collateralized by a deed of trust on the property with assignment of leases and rents, security agreement and fixture filing.	**1,500,000**	1,500,000

(3) Debt, Cont'd

	2017	2016
AHP loan payable to bank by S.V.D.P. on behalf of Boulevard Apartments. The loan is forgivable in 2024 and interest does not accrue, as long as Boulevard Apartments is in compliance with specific affordable housing requirements. The loan is collateralized by a deed of trust on the property with assignment of rents, security agreement and fixture filing.	**325,543**	325,543
Total forgivable debt	**$ 4,185,543**	$ 4,685,543

The agreements with the banks require that S.V.D.P. maintain certain financial and non-financial loan covenants. Management believes they are in compliance with, or have obtained waivers for, all debt covenants at December 31, 2017.

Interest rate swap

16th and Market entered into an interest rate swap agreement, with a trade date of June 22, 2007, with a bank to reduce the exposure to the floating interest rate of LIBOR plus a spread as defined in the agreement. The rate was 2.00% and 1.37% at December 31, 2017 and 2016, respectively. The interest rate swap agreement became effective on December 1, 2009. This swap set the interest rate at 6.15% and the notional amount begins with $3,010,000 and declines monthly through the term which expires December 1, 2044. At December 31, 2017 and 2016, the notional principal amount under the interest rate swap agreement totaled approximately $2,762,000 and $2,800,000, respectively. At December 31, 2017 and 2016, the estimated fair value of the interest rate swap agreement was a liability of approximately $1,190,000 and $1,239,000, respectively. The change in fair value on the interest rate swap agreement was a gain of approximately $49,000 and $120,000 for the year ended December 31, 2017 and 2016, respectively.

(4) Contingent Liability

In May 2012, the Village obtained a revolving line of credit ("LOC") from a bank which 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, 2017 was 5.50%.

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, the outstanding balance was approximately $2,000,000. No balance was outstanding on the LOC at December 31, 2017.

(4) Contingent Liability, Cont'd

The LOC has both financial and reporting requirements. At December 31, 2017, management is not aware of any violations of these covenants.

(5) Designated Cash Funds and Statutory Reserves

S.V.D.P. maintains certain reserves as follows as of December 31:

	2017	2016
Reserve funds - 15th & Commercial	**$ 1,922,956**	$ 1,851,938
Interest reserve – S.V.D.P.	**755,946**	-
Replacement reserve - 16th and Market	**664,594**	611,423
Reserves under CalHFA loan - Village Place	**333,207**	312,356
Replacement reserve - Villa Harvey Mandel	**301,691**	283,676
Operating reserve - 16th and Market	**268,097**	268,070
Designated sinking fund - S.V.D.P.	**220,646**	220,444
Operating reserve - Boulevard Apartments	**171,838**	171,811
Tenants' security deposits - 16th and Market	**102,352**	107,265
Operating reserve of at least $75,000 - Villa Harvey Mandel	**76,073**	75,883
Replacement reserve - Boulevard Apartments	**73,845**	59,432
Tenants' security deposits - Villa Harvey Mandel	**32,462**	29,489
Tenants' security deposits - 15th & Commercial	**27,847**	25,866
Tenants' security deposits - Village Place	**15,600**	17,405
Tenants' security deposits - Boulevard Apartments	**11,655**	13,123
Operating reserve of at least $125,000 - Martha's Village	**-**	128,912
Replacement reserve - Martha's Village	**-**	60,950
Total designated cash and statutory reserves	**$ 4,978,809**	$ 4,238,043

(6) Charitable Remainder Trust

S.V.D.P. is the beneficiary under a charitable remainder trust. 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 S.V.D.P.

For the charitable remainder trust, the beneficial interest in the trust is recorded at the net present value of the amount estimated to be received in the future based on recent life expectancy tables and a discount rate of 7.25% at December 31, 2017. The value of the charitable remainder trust was approximately $374,000 and $347,000 at December 31, 2017 and 2016, respectively.

(7) Investments

The cost and fair value of investments as of December 31, 2017 are summarized as follows:

	Cost	Fair Value
Short-term:		
Cash and money market funds	$ 32,916	$ 32,916
Mutual funds	672,189	731,866
Totals	$ 705,105	$ 764,782

The cost and fair value of investments as of December 31, 2016 are summarized as follows:

	Cost	Fair Value
Short-term:		
Cash and money market funds	$ 16,203	$ 16,203
Mutual funds	683,602	671,139
Totals	$ 699,805	$ 687,342

Fair values have been determined by reference to the most recent market quotations for the respective investments (see Note 11).

S.V.D.P. maintains certain investments in accordance with statutory requirements. These investments are reported as designated cash funds and statutory reserves on the consolidated statements of financial position (see Note 5).

(8) 401(k) Profit Sharing Plan

S.V.D.P. participates in a profit-sharing retirement plan that covers all eligible employees of S.V.D.P. and the Village. Each Organization makes matching contributions on a discretionary basis. There were no matching contributions made to the plan for the years ended December 31, 2017 and 2016.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes:

	2017	2016
Restricted for purpose:		
Capital projects	**$ 3,148,278**	$ -
Restricted for use in future periods:		
Charitable remainder trust	**374,433**	347,292
Totals	**$ 3,522,711**	$ 347,292

(10) Noncontrolling Limited Partners' Interests in Real Estate Limited Partnerships

	Village Place Apartments, L.P.	Martha's Village, L.P.	Villa Harvey Mandel, L.P.	16th and Market, L.P.	3137 El Cajon Boulevard, L.P.	15th & Commercial, L.P.	Total limited partners' Interest in limited partnerships
December 31, 2015	$ 46	$ 294,683	$ 1,298,496	$ 9,573,826	$ 912,945	$ 171,873	$ 12,251,869
Gain on acquisition of partnership interest	-	(294,683)	-	-	-	-	(294,683)
Equity of limited partners in operating results of limited partnerships	4	-	(486,459)	(1,747,298)	(472,832)	(171,873)	(2,878,458)
December 31, 2016	$ 50	$ -	$ 812,037	$ 7,826,528	$ 440,113	$ -	$ 9,078,728
Income distributions	**(10)**	-	-	-	-	-	**(10)**
Equity of limited partners in operating results of limited partnerships	**4**	-	**(527,410)**	**(1,812,927)**	**(440,113)**	-	**(2,780,446)**
December 31, 2017	**$ 44**	**$ -**	**$ 284,627**	**$ 6,013,601**	**$ -**	**$ -**	**$ 6,298,272**

(11) Fair Value Measurement

In accordance with authoritative guidance, S.V.D.P. uses fair value accounting methods to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the fair value authoritative guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, S.V.D.P. utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The following table summarizes the valuation of S.V.D.P.'s financial instruments in accordance with authoritative guidance at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Equity securities – Mutual funds	$ 731,866	$ -	$ -	$ 731,866
Charitable remainder trust	-	-	374,433	374,433
Total assets measured at fair value	$ 731,866	$ -	$ 374,433	$ 1,106,299
Interest rate swap liability	$ -	$ -	$ (1,189,781)	$ (1,189,781)

(11) Fair Value Measurement, Cont'd

The following table summarizes the valuation of S.V.D.P.'s financial instruments in accordance with authoritative guidance at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Property held for sale	$ -	$ 7,077,500	$ -	$ 7,077,500
Equity securities – Mutual funds	671,139	-	-	671,139
Charitable remainder trust	-	-	347,292	347,292
Total assets measured at fair value	$ 671,139	$ 7,077,500	$ 347,292	$ 8,095,931
Interest rate swap liability	$ -	$ -	$ (1,239,046)	$ (1,239,046)

The following table summarizes S.V.D.P.'s fair value measurements using significant Level 3 inputs, and changes therein, for the years ended December 31, 2017 and 2016:

	Charitable Remainder Trust	Interest Rate Swap Liability
Balance at December 31, 2015	$ 339,119	$ (1,359,141)
Gain on mark-to-market of interest rate swap	-	120,095
Change in valuation	8,173	-
Balance at December 31, 2016	347,292	(1,239,046)
Gain on mark-to-market of interest rate swap	-	49,265
Change in valuation	27,141	-
Balance at December 31, 2017	**$** 374,433	**$** **(**1,189,781**)**

Investments in equity securities are valued using market prices in active markets and are designated as Level 1 instruments. Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

The charitable remainder trust is an asset that will be received upon the death of the donor. While the trust itself is composed of Level 1 and Level 2 assets, the value of those assets is adjusted by using actuarial tables to estimate the remaining life of the donor and an appropriate interest rate is used to calculate the net present value of the trust.

(11) Fair Value Measurement, Cont'd

Property held for sale is real estate that is no longer being used in S.V.D.P.'s operations. Property held for sale is stated at the lower of its carrying amount or fair value less cost to sell. Property held for sale at December 31, 2016 was valued based on an appraisal of a qualified real estate appraiser.

The fair value of the interest rate swap is based on the present value of estimated monthly net future cash flows resulting from the swap agreement. Cash outflows per this valuation are based on the contractual fixed interest rate required to be paid by 16th and Market on the notional balances over the swap term. Estimated cash inflows are based on projected future one-month LIBOR rates plus a spread, as defined in the swap agreement, as definitive futures rates are not available upon which such cash inflows are based.

Management has determined that the carrying values of cash, receivables, restricted funds, accounts payable and accrued expenses approximate fair value given the short-term nature of these instruments. Management has no practical or cost effective way of assessing fair value for the developer fee payable and notes payable.

(12) Commitments and Contingencies

Grant agreements

S.V.D.P. has grant agreements and certain other grant support that 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.

Litigation

In the normal course of business, S.V.D.P. 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 S.V.D.P.'s operations or financial position.

Reserves

The limited partnerships are required by contractual agreements to maintain and annually fund reserves for various terms through the termination of the partnerships. The required funding for 2017 includes annual payments ranging from approximately \$12,000 to \$102,000. The aggregate amount of funding required for 2017 was approximately \$215,000.

Operating leases

S.V.D.P. leases copiers under a non-cancelable operating lease that are utilized by S.V.D.P. and the Village, which expires in 2018. Lease expense for copiers utilized by the Village is passed through to the Village. Lease expense attributable to S.V.D.P., net of expenses passed through to other organizations under this lease was approximately $92,000 and $99,000 for 2017 and 2016, respectively.

In 2017, S.V.D.P. entered into non-cancelable operating leases for washing machines which expire in 2021. Lease expense under these leases was approximately $18,000 for 2017.

Future minimum lease payments due under this lease are as follows:

Year Ending December 31,		Amount
2018	$	194,901
2019		21,492
2020		21,492
2021		6,921
	$	244,806

(13) Subsequent Events

S.V.D.P. has evaluated subsequent events through June 27, 2018, which is the date the consolidated financial statements were available to be issued.

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

Supplemental Schedules

Statements of Financial Position

As of December 31,	**2017**	2016
Current assets:		
Cash and cash equivalents	**$ 3,781,750**	$ 631,583
Investments	**764,782**	687,342
Contributions receivable	**140**	403
Inventory - automobiles	**103,430**	219,762
Prepaid expenses and other current assets	**385,644**	455,993
Total current assets	**5,035,746**	1,995,083
Property and equipment:		
Land	**11,366,997**	11,366,997
Buildings and improvements	**37,831,593**	37,341,530
Furniture and equipment	**3,693,575**	4,165,911
	52,892,165	52,874,438
Less accumulated depreciation and amortization	**(26,390,894)**	(25,720,067)
Construction in progress	**730,943**	236,107
Net property and equipment	**27,232,214**	27,390,478
Designated cash fund and statutory reserves	**976,592**	410,306
Due from Martha's Village and Kitchen, Inc.	**1,463,061**	1,343,061
Due from St. Vincent De Paul Village, Inc.	**11,861,078**	9,224,977
Charitable remainder trust	**374,433**	347,292
Property held for sale	**-**	7,077,500
Investment in limited partnerships - intercompany	**43,384,009**	43,790,099
Intercompany accounts receivable	**10,979,625**	10,474,869
Total assets	**$ 101,306,758**	$ 102,053,665
Current liabilities:		
Accounts payable	**$ 232,198**	$ 668,977
Accrued liabilities	**302,108**	566,374
Accrued interest	**271,400**	418,684
Current portion of long-term debt	**-**	4,370,683
Total current liabilities	**805,706**	6,024,718
Forgivable debt	**3,285,543**	3,785,543
Long-term debt, net of current portion	**7,452,279**	6,362,708
Less unamortized bond issuance costs, net	**(165,019)**	(180,337)
Net long-term debt	**7,287,260**	6,182,371
Total liabilities	**11,378,509**	15,992,632
Net assets:		
Unrestricted - as restated	**86,405,538**	85,713,741
Temporarily restricted	**3,522,711**	347,292
Total net assets	**89,928,249**	86,061,033
Total liabilities and net assets	**$ 101,306,758**	$ 102,053,665

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

Statements of Activities

Year Ended December 31,		2017		2016
Contributions from organizations, foundations				
and individuals	**$**	**676,945**	$	241,296
Sales of donated automobiles		**2,470,132**		2,646,462
Contract charges for services to St. Vincent de Paul Village, Inc.				
and Martha's Village and Kitchen, Inc.		**1,467,857**		1,686,145
Contract income from limited partnerships		**124,146**		146,336
Rental income		**3,108,494**		3,489,852
Grant income		**279,676**		242,055
Interest income		**130,347**		184,510
Gain on acquisition of partnership interest		**-**		294,683
Gain on sale of property held for sale		**1,711,540**		830,492
Miscellaneous		**280,882**		45,986
Total revenue, contributions and other		**10,250,019**		9,807,817
Expenses and donations:				
Administration		**2,244,112**		1,414,288
Fundraising		**394,485**		331,001
Program expenses:				
Salaries and employee benefits		**1,382,362**		1,673,589
Advertising		**261,115**		374,953
Preparation expense of donated automobiles		**220,207**		245,092
Other		**1,212,039**		1,378,902
Interest		**283,725**		484,243
Depreciation and amortization		**1,220,542**		1,569,531
Impairment loss on property held for sale		**-**		319,816
Loss on sale of fixed assets		**3,345**		-
Loss on investments in limited partersnip - intercompany		**301,290**		607,502
Total program expenses		**4,884,625**		6,653,628
Donation to St. Vincent de Paul Village, Inc.		**2,035,000**		800,000
Total expenses and donations		**9,558,222**		9,198,917
Change in unrestricted net assets		**691,797**		608,900
Changes in temporarily restricted net assets:				
Contributions from organizations, foundations				
and individuals		**3,148,278**		-
Change in value of charitable remainder trust		**27,141**		8,173
Change in temporarily restricted net assets		**3,175,419**		8,173
Change in net assets		**3,867,216**		617,073
Net assets at beginning of year - as restated		**86,061,033**		85,443,960
Net assets at end of year	**$**	**89,928,249**	$	86,061,033

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