St. Vincent de Paul Village, Inc.

Financial Statements

Years Ended December 31, 2017 and 2016

St. Vincent de Paul Village, Inc.

Contents

MHM

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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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 May 30, 2018 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
May 30, 2018

St. Vincent de Paul Village, Inc.

Statements of Financial Position

December 31,		**2017**		2016
Assets				
Current assets:				
Cash	**$**	**703,465**	$	717,693
Investments		**1,594,188**		1,221,734
Grants receivable		**2,166,970**		2,005,892
Contributions receivable		**651,555**		647,916
Pledge receivable, current portion		**400,000**		400,000
Bequests receivable		**299,219**		1,769,156
Prepaid expenses and other receivables, net of allowance		**868,239**		862,394
Total current assets		**6,683,636**		7,624,785
Property and equipment:				
Equipment, furniture and vehicles		**2,649,246**		2,635,915
Buildings and leasehold improvements		**5,988,724**		5,644,548
Construction in process		**146,455**		21,700
		8,784,425		8,302,163
Less accumulated depreciation and amortization		**(5,786,983)**		(5,268,904)
Net property and equipment		**2,997,442**		3,033,259
Other assets:				
Property held for sale		**515,365**		-
Investment in limited partnership		**44**		50
Deposits		**68,100**		68,100
Pledge receivable, less current portion, net of discount		**-**		368,051
Pooled income fund		**114,994**		127,205
Charitable remainder trust		**300,325**		337,087
Cash surrender value of insurance		**314,305**		280,272
Beneficial interest in gift annuity		**27,714**		25,172
Beneficial interest in perpetual trusts		**1,287,280**		1,190,393
Endowment fund		**3,763,851**		3,367,618
Total other assets		**6,391,978**		5,763,948
Total assets	**$**	**16,073,056**	$	16,421,992
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**2,441,982**	$	2,204,008
Deferred rent, current portion		**5,830**		4,030
Loan payable		**74,840**		200,000
Deferred grant revenue		**459,813**		127,986
Total current liabilities		**2,982,465**		2,536,024
Deferred rent, less current portion		**-**		6,996
Margin loan		**756,594**		1,330,830
Line of credit		**-**		1,996,325
Due to S.V.D.P. Management, Inc.		**11,822,813**		9,159,657
Forgivable debt and related accrued interest		**2,271,202**		2,211,363
Total liabilities		**17,833,074**		17,241,195
Net assets (deficit):				
Unrestricted		**(7,119,632)**		(6,187,770)
Temporarily restricted		**1,056,829**		1,200,891
Permanently restricted		**4,302,785**		4,167,676
Total net deficit		**(1,760,018)**		(819,203)
Total liabilities and net assets	**$**	**16,073,056**	$	16,421,992

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

Statements of Activities

Years Ended December 31,	**2017**	2016
Changes in unrestricted net assets:		
Revenue, contributions and other:		
Contributions from organizations, foundations and individuals	**$ 10,018,726**	$ 10,258,999
Sales of donated goods	**3,696,824**	4,349,391
Grants	**10,240,960**	10,244,972
Contributions from S.V.D.P. Management, Inc.	**2,035,000**	800,000
Special events, net of direct benefit expense of approximately $201,000 and $222,000, respectively	**1,264,918**	976,158
Interest, investment, shared expenses and other income	**1,102,669**	942,206
Net medical revenue	**2,595,042**	1,794,282
Net assets released from donor restrictions	**320,400**	501,156
Total revenue, contributions and other	**31,274,539**	29,867,164
Expenses, contributions and other:		
Programs and services for the homeless	**23,195,830**	22,089,296
Cost of retail program	**3,600,722**	4,147,263
Fundraising	**3,011,356**	2,870,935
Administration	**2,398,493**	2,575,743
Total expenses, contributions and other	**32,206,401**	31,683,237
Change in unrestricted net assets	**(931,862)**	(1,816,073)
Changes in temporarily restricted net assets:		
Contributions	**162,120**	100
Change in value of split interest agreements	**(30,844)**	13,408
Net assets released from donor restrictions	**(275,338)**	(453,445)
Change in temporarily restricted net assets	**(144,062)**	(439,937)
Changes in permanently restricted net assets:		
Contributions	**35,300**	151,622
Change in value of permanently restricted net assets	**144,871**	81,941
Net assets released from donor restrictions	**(45,062)**	(47,711)
Change in permanently restricted net assets	**135,109**	185,852
Change in net assets	**(940,815)**	(2,070,158)
Net (deficit) assets at beginning of year	**(819,203)**	1,250,955
Net deficit at end of year	**$ (1,760,018)**	$ (819,203)

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

Statements of Cash Flows

Years Ended December 31,		**2017**		2016
Operating Activities				
Change in net assets	**$**	**(940,815)**	$	(2,070,158)
Reconciliation of change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization		**559,072**		525,039
Change in value of temporarily restricted split interest agreements		**31,091**		(13,408)
Distributions from temporarily restricted split interest agreements		**15,340**		-
Change in value of permanently restricted split interest agreements		**(140,974)**		(78,317)
Distributions from permanently restricted split interest agreements		**44,087**		45,500
Contributions of securities		**(1,451,725)**		(957,291)
Contributions restricted for long-term purposes		**(35,300)**		(151,622)
Realized and unrealized gain on investments		**(120,437)**		(53,570)
Realized and unrealized gain on endowment		**(354,286)**		(253,423)
Change in cash surrender value of insurance		**(34,033)**		(38,757)
Loss (gain) on disposal of property and equipment		**6,527**		(80,026)
Loss (gain) on investment in limited partnership		**6**		(4)
Bad debt expense		**36,000**		36,000
Debt forgiveness		**(125,160)**		-
Donated property		**(515,365)**		-
Changes in operating assets and liabilities:				
Deposits		**-**		3,800
Grants receivable		**(161,078)**		(125,634)
Contributions receivable		**(3,639)**		(301,752)
Pledges receivable		**368,051**		353,046
Bequests receivable		**1,469,937**		(1,283,614)
Prepaid expenses and other receivables, net of allowance		**(20,145)**		(178,742)
Development fee receivable from affiliate		**-**		47,405
Accounts payable and accrued liabilities and related accrued interest		**297,813**		299,622
Deferred grant revenue		**331,827**		27,986
Deferred rent		**(5,196)**		(8,558)
Due to S.V.D.P. Management, Inc.		**2,663,156**		2,366,421
Net cash provided by (used in) operating activities		**1,914,754**		(1,890,057)
Investing Activities				
Proceeds from sale of investments		**1,163,761**		1,020,335
Purchases of property and equipment		**(551,482)**		(588,930)
Purchases of investments		**(6,000)**		(5,000)
Proceeds from sale of property and equipment		**-**		83,150
Net cash provided by investing activities		**606,279**		509,555
Financing Activities				
Net payments on line of credit		**(1,996,325)**		(3,625)
Net (payments) borrowings on margin loan		**(574,236)**		433,353
Contributions restricted for long-term investment		**35,300**		151,622
Proceeds from loan payable		**-**		200,000
Net cash (used in) provided by financing activities		**(2,535,261)**		781,350
Net change in cash		**(14,228)**		(599,152)
Cash, beginning of year		**717,693**		1,316,845
Cash, end of year	**$**	**703,465**	$	717,693

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

Years Ended December 31,		**2017**		2016
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the period for:				
Interest	**$**	**102,914**	$	152,509

Noncash Investing and Financing Activities:

The Village received stock contributions of $1,451,725 and $957,291 for the years ended December 31, 2017 and 2016, respectively. Of which, $35,300 and $99,712 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, 2017

	Housing and Supportive Services	Medical Clinic	Total	Cost of Retail Program	Management and General	Fundraising	**Total Expenses**
Salaries & Employee Related Expenses	$ 8,514,181	$ 1,798,370	$ 10,312,551	$ 1,673,017	$ 603,174	$ 867,670	**$ 13,456,412**
Rent	2,439,606	198,283	2,637,889	417,942	222,897	66,072	**3,344,800**
Contract Services	603,661	198,119	801,780	-	1,392,764	142,178	**2,336,722**
Direct Client Expenses	1,643,648	9,475	1,653,123	-	-	-	**1,653,123**
Employee Benefits	1,084,398	168,731	1,253,129	262,223	-	65,250	**1,580,602**
Food	1,496,757	1,981	1,498,738	209	-	1,682	**1,500,629**
Miscellaneous	759,852	306,979	1,066,831	141,295	24,670	157,367	**1,390,163**
Utilities	781,336	60,462	841,798	210,536	327	-	**1,052,661**
Professional Fees	24,350	239,568	263,918	126,487	151,026	269,480	**810,911**
Contract Services - UCSD	-	692,296	692,296	-	-	-	**692,296**
Advertising	-	-	-	160,367	-	479,273	**639,640**
Repair & Maintenance	512,363	53,485	565,848	29,623	3,635	29,861	**628,967**
Depreciation	483,353	-	483,353	75,719	-	-	**559,072**
Supplies	486,902	32,297	519,199	23,287	-	7,178	**549,664**
Insurance	317,220	13,723	330,943	96,459	-	57,929	**485,331**
Special Events	-	-	-	-	-	400,930	**400,930**
Vehicle	62,561	-	62,561	292,561	-	203	**355,325**
Printing	3,358	9,976	13,334	6,271	-	323,971	**343,576**
Medical & Dental	18,189	134,282	152,471	-	-	-	**152,471**
Postage	1,440	527	1,967	-	-	126,107	**128,074**
Telephone	42,083	2,018	44,101	12,912	-	16,205	**73,218**
Commodities Donations to Others	-	-	-	71,814	-	-	**71,814**
Total	$ 19,275,258	$ 3,920,572	$ 23,195,830	$ 3,600,722	$ 2,398,493	$ 3,011,356	**$ 32,206,401**
% of Total	61%	12%	73%	11%	7%	9%	**100%**

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

Statement of Functional Expenses, Continued

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	181,489	161,029	-	342,518	-	1,582,629	156,665	**2,081,812**
Food	1,664,230	1,472	48,718	1,714,420	179	-	2,348	**1,716,947**
Employee Benefits	1,058,522	161,985	56,065	1,276,572	304,324	-	59,215	**1,640,111**
Miscellaneous	473,474	294,553	65,184	833,211	284,376	13,141	118,791	**1,249,519**
Utilities	729,457	37,830	109,708	876,995	265,265	644	-	**1,142,904**
Direct Client Expenses	697,024	8,493	36,289	741,806	-	-	-	**741,806**
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**
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.

(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.

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 $1,000,000 during the year ended December 31, 2017 and its total liabilities exceeded its total assets by approximately $1,760,000 as of that date. These conditions were alleviated by the Village's current ratio given current assets exceeded its current liabilities by approximately $3,701,000, 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 $14,851,000 consisting of 1) approximately $11,823,000 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 $2,271,000 of forgivable debt and related accrued interest which terms are described in Note 11, and 3) approximately $757,000 outstanding on the margin loan, which terms are described in Note 11.

The related party debt owed to S.V.D.P. is not due for the foreseeable future. In addition, the Village’s ability to meet its obligations as they become due was enhanced by the additional liquidity generated through the pay down of $2,000,000 on the line of credit through the net proceeds from the sale of property by S.V.D.P. Village also has $600,000 in available funds under its margin loans. Therefore, Management believes 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.

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, cont'd

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.

Medical clinic receivable, cont'd

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 $85,000 and $93,000 was necessary at December 31, 2017 and 2016, 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.

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 clinic revenue, cont'd

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 $210,000 and $183,000 for 2017 and 2016, 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, 2017 and 2016, the Village had approximately $2,167,000 and $2,006,000, 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, 2017, 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 $208,000 and $220,000 were included in contribution income on the statements of activities and professional fees on the statements of functional expenses for 2017 and 2016, 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 $559,000 and $525,000 for 2017 and 2016, 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, 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.

Advertising

The Village expenses advertising costs as incurred. Advertising costs were approximately $710,000 and $758,000 for 2017 and 2016, respectively, which is included in advertising and special events on the statement of functional expenses.

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.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 classifications. Total net assets and change in net assets are unchanged due to these reclassifications.

(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 $2,619,000 and $2,726,000 for 2017 and 2016, respectively.

Fundraising paid approximately $66,000 in 2017 and 2016 to S.V.D.P. under a lease for office space.

Retail leases two warehouses from S.V.D.P. Total rent expense under these leases was approximately $219,000 and $224,000 for 2017 and 2016, respectively.

Related party rental expense, cont'd

Total future minimum lease payments in the years subsequent to December 31, 2017 are as follows:

December 31,		Centers		Retail		Total
2018	$	2,637,957	$	221,836	$	2,859,793
2019		2,608,748		225,062		2,833,810
2020		680,555		228,338		908,893
2021		689,981		231,663		921,644
2022		699,551		182,042		881,593
Thereafter		293,098		-		293,098
Total	$	7,609,890	$	1,088,941	$	8,698,831

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 3rd 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 $202,000 and $186,000 in 2017 and 2016, respectively.

The Village pays common area maintenance ("CAM") charges for the property leased from 15th & Commercial, L.P. The CAM charges were approximately $356,000 and $374,000 in 2017 and 2016, 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 $1,468,000 and $1,657,000 in 2017 and 2016, 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 $11,823,000 and $9,160,000 as of December 31, 2017 and 2016, 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 $2,035,000 and $800,000 in 2017 and 2016, respectively.

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 $26,000 and $20,000 of continuum of care funding to S.V.D.P. in 2017 and 2016, respectively.

Investment in Village Place Apartments, L.P.

During 2017, 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 and received a distribution of $10. The investment in limited partnership is stated at estimated fair value. The value of the investment in the partnership was $44 at December 31, 2017.

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.

(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 $199,000 and $208,000 for 2017 and 2016, respectively.

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 $223,000 and $231,000 for 2017 and 2016, respectively. Aggregate future minimum lease payments under operating leases in the years subsequent to December 31, 2017 are as follows:

Year Ending December 31,	Thrift Stores	Vehicles	Total
2018	$ 201,112	$ 204,683	$ 405,795
2019	94,864	204,683	299,547
2020	96,762	191,973	288,735
2021	98,697	187,737	286,434
2022	75,128	40,278	115,406
	$ 566,563	$ 829,354	$ 1,395,917

(4) Grant Agreements

The Village has entered into four 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 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.

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, 2018 and 2019:

Grant Agreement	Commitment		2018		2019
Boulevard	HUD Commitment	$	47,421	$	37,626
Apartments	Village Commitment		11,855		9,407
		$	59,276	$	47,033
RRHFF	HUD Commitment	$	713,662	$	651,185
Program	Village Commitment		178,416		162,796
		$	892,078	$	813,981
RRHFS	HUD Commitment	$	664,327	$	598,448
Program	Village Commitment		166,082		149,612
		$	830,409	$	748,060
PSHFCH	HUD Commitment	$	1,532,199	$	1,538,685
Program	Village Commitment		383,050		384,671
		$	1,915,249	$	1,923,356
	HUD Commitment	$	2,957,609	$	2,825,944
Summary	Village Commitment		739,403		706,486
		$	3,967,012	$	3,532,430

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.

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, 2018 and 2019:

		2018		2019		Totals
Boulevard Apartments	$	23,352	$	18,545	$	41,897
Totals	$	22,352	$	18,545	$	41,897

(5) 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, 2017 and 2016.

(6) Prepaid Expenses and Other Receivables

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

December 31,		**2017**		2016
Medical clinic receivable, net of allowance	**$**	**325,903**	$	416,656
Prepaid expenses		**424,456**		247,608
Note receivable, net of allowance		**108,000**		144,000
Inventory		**-**		44,609
Accounts receivable		**9,880**		9,521
Prepaid expenses and other receivables	**$**	**868,239**	$	862,394

(7) Investments

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

December 31,		**2017**		
		Cost		Fair Value
Mutual funds	**$**	**1,033,604**	**$**	**1,120,050**
Cash		**425,144**		**425,144**
Equities		**-**		**48,241**
Municipal bonds		**-**		**749**
Estimated accrued interest		**-**		**4**
Totals	**$**	**1,458,748**	**$**	**1,594,188**

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

(7) **Investments**, Cont'd

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,		**2017**		2016
Investment income	**$**	**50,155**	$	47,404
Realized gain (loss)		**1,182**		(1,291)
Unrealized gain		**82,450**		17,646
Fees		**(13,350)**		(10,189)
Totals	**$**	**120,437**	$	53,570

(8) 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.

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 4.50%.

Total unamortized discounts for the pooled income fund were approximately $25,000 and $30,000 as of December 31, 2017, and 2016, respectively.

Total unamortized discounts for the charitable remainder trust were approximately $240,000 and $219,000 as of December 31, 2017, and 2016, respectively.

(9) Accounts Payable and Accrued Liabilities

The Village's accounts payable and accrued liabilities are comprised of the following:

December 31,		**2017**		2016
Accrued expenses	**$**	**787,445**	$	129,138
Accrued vacation		**710,747**		681,771
Accounts payable		**691,974**		1,204,800
Accrued salaries		**251,816**		188,299
Accounts Payable and Accrued Liabilities	**$**	**2,441,982**	$	2,204,008

(10) Line of Credit

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. Interest expense related to the LOC was approximately $46,000 and $73,000 for 2017 and 2016, respectively.

The LOC has both financial and reporting requirements. At December 31, 2017, 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 San Diego 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, 2017 and 2016. Interest expense related to the loan was approximately $30,000 for 2017 and 2016. Accrued interest related to the loan was $167,000 and $138,000 for 2017 and 2016, 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 San Diego County Recorder of the

(11) Debt, Cont'd

Notice of Completion if certain conditions are met. The Village has drawn approximately $568,000 of the loan as of December 31, 2017. Interest expense related to the loan was approximately $17,000 for 2017 and 2016. Accrued interest related to the loan was $65,000 and $49,000 for 2017 and 2016, 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 San Diego County Recorder of the Notice of Completion if certain conditions are met. The Village has drawn approximately $430,000 of the loan as of December 31, 2017. Interest expense related to the loan was approximately $13,000 for 2017 and 2016. Accrued interest related to the loan was $41,000 and $30,000 for 2017 and 2016, 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 system. The loan is secured by accounts receivable. The loan was due January 9, 2017 and has no stated interest rate. During 2017, the lender forgave approximately $125,000 of the loan balance and extended the due date to February 14, 2018. At December 31, 2017, the outstanding balance on the loan was $75,000.

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, 2017, the rate was 3.0%. 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, 2017 and 2016, the outstanding balance on the loan was approximately $757,000 and $1,331,000 respectively. Interest expense related to the loan was approximately $36,000 and $29,000 for 2017 and 2016, respectively.

(12) Contingent Liability

The Village is contingently liable as guarantor with respect to approximately $6,952,000 and $9,101,000 of indebtedness of S.V.D.P. at December 31, 2017 and 2016, 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, 2017, management is not aware of any violations of these covenants.

(12) Contingent Liability, Cont'd

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,		**2017**		2016
Restricted for purpose:				
Family support	**$**	**107,120**	$	-
Therapeutic childcare		**50,000**		-
Single fathers		**42,576**		42,576
Various programs		**14,100**		9,100
Restricted for use in future periods:				
Pledge receivable		**400,000**		659,751
Charitable remainder trust		**300,325**		337,087
Pooled income fund		**114,994**		127,205
Gift annuity		**27,714**		25,172
Totals	**$**	**1,056,829**	$	1,200,891

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,		**2017**		2016
Restricted for use in future periods:				
General Endowment	**$**	**3,056,670**	$	3,021,370
Beneficial interest in perpetual trusts:				
St. Vincent de Paul Village Fund		**602,778**		550,381
McEvoy Trust		**441,809**		411,910
Charles and Lucille Borgerding Fund		**201,528**		184,015
Totals	**$**	**4,302,785**	$	4,167,676

(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 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.

(14) Permanently Restricted Net Assets, Cont'd

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 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, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (49,413)	$ -	$ 4,302,785	$ 4,253,372

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2017	$ (984,582)	$ -	$ 4,167,676	$ 3,183,094
Change in value of split-interest agreements	-	-	144,871	144,871
Net realized and unrealized gain	354,286	-	-	354,286
Contributions	-	-	35,300	35,300
Release from restriction	-	-	(45,062)	(45,062)
Margin loan repayments	580,883	-	-	580,883
Endowment net assets, December 31, 2017	$ (49,413)	$ -	$ 4,302,785	$ 4,253,372

(14) Permanently Restricted Net Assets, Cont'd

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 loss	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

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 $49,000 as of December 31, 2017.

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.

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.

(14) Permanently Restricted Net Assets, Cont'd

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, 2017:

Asset Category	Level 1	Level 2	Level 3	Total
Equities:				
Healthcare	$ 6,861	$ -	$ -	$ 6,861
Other	41,380	-	-	41,380
Mutual funds:				
Large blend/growth/value	521,841	-	-	521,841
Bank loan	53,590	-	-	53,590
Bond funds	483,635	-	-	483,635
Small blend	60,984	-	-	60,984
Municipal bonds	749	-	-	749
Sub-total investments	1,169,040	-	-	1,169,040
Pooled income fund	-	-	122,607	122,607
Charitable remainder trust	-	-	300,325	300,325
Cash surrender value insurance	-	-	314,305	314,305
Beneficial interest in gift annuity	-	-	75,560	75,560
Beneficial interest in perpetual trusts	-	-	1,287,280	1,287,280
Endowment funds:				
Financial equities	1,045,832	-	-	1,045,832
Bond funds	1,540,857	-	-	1,540,857
Foreign securities	475,385	-	-	475,385
Commodities broad basket	144,867	-	-	144,867
Global real estate	88,629	-	-	88,629
Diversified emerging markets	318,706	-	-	318,706
Small value	149,575	-	-	149,576
Sub-total endowment funds	3,763,851	-	-	3,763,851
Total assets measured at fair value	$ 4,932,891	$ -	$ 2,100,077	$ 7,032,968

(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, 2017:

	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, 2017	$ 138,985	$ 337,087	$ 280,272	$ 86,471	$ 1,190,393	$ 2,033,208
Distributions	(1,881)	-	-	(14,528)	(44,087)	(60,496)
Change in valuation related to actuarial tables or other observable inputs	(14,497)	(36,762)	34,033	3,617	140,974	127,365
Balance at December 31, 2017	$ 122,607	$ 300,325	$ 314,305	$ 75,560	$ 1,287,280	$ 2,100,077

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	$ 300,325	Present value of beneficial interests	Discount rate Years remaining	4.50% 13.34
Beneficial interest in gift annuity	$ 75,560	Present value of beneficial interests	Discount rate Years remaining	4.50% 2.94 – 9.03
Pooled income fund	$ 122,607	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, 2016:

Asset Category	Level 1	Level 2	Level 3	Total
Equities:				
Healthcare	$ 5,648	$ -	$ -	$ 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, 2015	$ 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

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.

(15) Fair Value Measurement, Cont'd

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 for 2017 and 2016.

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 (4.5% at December 31, 2017) to calculate the net present value of the asset.

(15) Fair Value Measurement, Cont'd

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 May 30, 2018 which is the date the financial statements were available to be issued.