



St. Vincent de Paul Village, Inc.

Financial Statements
Years Ended December 31, 2019 and 2018



St. Vincent de Paul Village, Inc.

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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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2019 and 2018, 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

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 November 17, 2020 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
November 17, 2020

St. Vincent de Paul Village, Inc.

Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current assets:		
Cash	\$ 275,125	\$ 125,720
Restricted cash	246,003	27,564
Investments	1,826,503	2,219,582
Grants receivable, net of allowance	3,020,364	1,902,049
Contributions receivable	523,104	507,340
Bequests receivable	278,247	249,042
Prepaid expenses and other receivables, net of allowance	713,227	1,245,984
Total current assets	6,882,573	6,277,281
Property and equipment:		
Equipment, furniture and vehicles	2,770,207	2,940,708
Buildings and leasehold improvements	5,321,708	6,047,532
Construction in process	28,819	88,319
	8,120,734	9,076,559
Less accumulated depreciation and amortization	(5,705,157)	(6,300,017)
Net property and equipment	2,415,577	2,776,542
Other assets:		
Property held for sale	-	1,058,023
Deposits	58,978	64,077
Contributions receivable, net	19,588	19,588
Investment in limited partnership	70	59
Pooled income fund	109,734	108,939
Charitable remainder trust	1,171,966	554,174
Cash surrender value of insurance	385,252	346,070
Beneficial interest in gift annuity	17,383	25,766
Beneficial interest in perpetual trusts	1,317,876	1,180,447
Endowment fund	3,858,395	3,423,490
Total other assets	6,939,242	6,780,633
Total assets	\$ 16,237,392	\$ 15,834,456
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ -	\$ 2,000,000
Accounts payable and accrued liabilities	2,501,450	1,832,473
Deferred grant revenue	-	245,353
Total current liabilities	2,501,450	4,077,826
Note payable and accrued interest to S.V.D.P. Management, Inc.	3,827,210	3,581,760
Margin loans	934,077	682,380
Due to S.V.D.P. Management, Inc.	1,899,619	9,952,066
Forgivable debt and related accrued interest	2,373,379	2,331,040
Total liabilities	11,535,735	20,625,072
Net assets (deficit):		
Without donor restrictions	(1,811,561)	(11,251,059)
With donor restrictions	6,513,218	6,460,443
Total net assets (deficit)	4,701,657	(4,790,616)
Total liabilities and net assets	\$ 16,237,392	\$ 15,834,456

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

St. Vincent de Paul Village, Inc.

Statements of Activities

<i>Years Ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2019	2018 Total
Revenue, contributions and other:				
Contributions from organizations, foundations and individuals	\$ 11,175,990	\$ 372,367	\$ 11,548,357	\$ 13,876,751
Sales of donated goods	-	-	-	3,256,642
Grants	12,945,073	155,226	13,100,299	11,336,246
Contributions from S.V.D.P. Management, Inc.	12,111,461	-	12,111,461	738,812
Special events, net of direct benefit expense of approximately \$219,000 and \$199,000, respectively	892,305	-	892,305	1,227,119
Interest, investment, shared expenses and other income	1,247,826	528,948	1,776,774	561,993
Change in value of split interest agreements	-	267,837	267,837	(6,688)
Change in value of beneficial interest in perpetual trusts	-	184,652	184,652	(61,735)
Net medical revenue	3,459,349	-	3,459,349	2,896,684
Net assets released from restrictions	1,456,255	(1,456,255)	-	-
Total revenue, contributions and other	43,288,259	52,775	43,341,034	33,825,824
Expenses, contributions and other:				
Programs and services for the homeless	28,226,399	-	28,226,399	27,100,444
Cost of retail program	-	-	-	3,506,541
Fundraising	2,974,969	-	2,974,969	3,339,032
Administration	2,647,393	-	2,647,393	2,910,405
Total expenses, contributions and other	33,848,761	-	33,848,761	36,856,422
Change in net assets	9,439,498	52,775	9,492,273	(3,030,598)
Net (deficit) assets at beginning of year	(11,251,059)	6,460,443	(4,790,616)	(1,760,018)
Net (deficit) assets at end of year	\$ (1,811,561)	\$ 6,513,218	\$ 4,701,657	\$ (4,790,616)

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

St. Vincent de Paul Village, Inc.

Statement of Activities

<i>Years Ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2018
Revenue, contributions and other:			
Contributions from organizations, foundations and individuals	\$ 11,695,854	\$ 2,180,897	\$ 13,876,751
Sales of donated goods	3,256,642	-	3,256,642
Grants	11,336,246	-	11,336,246
Contributions from S.V.D.P. Management, Inc.	738,812	-	738,812
Special events, net of direct benefit expense of approximately \$199,000	1,227,119	-	1,227,119
Interest, investment, shared expenses and other income (loss)	863,140	(301,147)	561,993
Change in value of split interest agreements	-	(6,688)	(6,688)
Change in value of beneficial interest in perpetual trusts	-	(61,735)	(61,735)
Net medical revenue	2,896,684	-	2,896,684
Net assets released from restrictions	661,086	(661,086)	-
Total revenue, contributions and other	32,675,583	1,150,241	33,825,824
Expenses, contributions and other:			
Programs and services for the homeless	27,100,444	-	27,100,444
Cost of retail program	3,506,541	-	3,506,541
Fundraising	3,339,032	-	3,339,032
Administration	2,910,405	-	2,910,405
Total expenses, contributions and other	36,856,422	-	36,856,422
Change in net assets	(4,180,839)	1,150,241	(3,030,598)
Net (deficit) assets at beginning of year	(7,070,220)	5,310,202	(1,760,018)
Net (deficit) assets at end of year	\$ (11,251,059)	\$ 6,460,443	\$ (4,790,616)

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

St. Vincent de Paul Village, Inc.

Statements of Cash Flows

<i>Years Ended December 31,</i>	2019	2018
Operating Activities		
Change in net assets	\$ 9,492,273	\$ (3,030,598)
Reconciliation of change in net assets to net cash from operating activities:		
Depreciation and amortization	510,574	513,545
Contribution of split interest agreement	(342,367)	(252,534)
Change in value of split interest agreements	(448,621)	72,357
Distributions from split interest agreements	43,355	41,164
Contributions of securities	(996,245)	(910,482)
Realized and unrealized (gain) loss on investments	(155,320)	78,088
Realized and unrealized (gain) loss on endowment	(497,003)	283,632
Change in cash surrender value of insurance	(39,182)	(31,765)
Loss on disposal of property and equipment	4,936	139,666
Gain on investment in limited partnership	(11)	(15)
Bad debt expense	274,838	316,769
Non cash interest expense	-	99,450
Donated property	-	(542,658)
Non cash contribution from S.V.D.P. Management, Inc. on line of credit	(2,000,000)	-
Forgiveness of balance due to S.V.D.P. Management, Inc.	(8,870,861)	-
Changes in operating assets and liabilities:		
Deposits	5,099	4,023
Grants receivable, net of allowance	(1,357,153)	(5,968)
Contributions receivable	(15,764)	144,215
Pledges receivable	-	380,412
Bequests receivable	(29,205)	50,177
Prepaid expenses and other receivables, net of allowance	496,757	(423,625)
Accounts payable and accrued liabilities and related accrued interest	810,766	(549,671)
Deferred grant revenue	(245,353)	(214,460)
Deferred rent	-	(5,830)
Due to S.V.D.P. Management, Inc.	818,414	326,563
Net cash from operating activities	(2,540,073)	(3,517,545)
Investing Activities		
Proceeds from sale of investments	1,689,044	286,214
Proceeds from sale of property held for sale	1,058,023	-
Purchases of property and equipment	(359,140)	(432,311)
Proceeds from sale of property and equipment	204,595	-
Purchases of investments	(82,301)	(22,485)
Net cash from investing activities	2,510,221	(168,582)
Financing Activities		
Net (payments) borrowings on margin loans	251,696	(74,214)
Borrowings on note payable to S.V.D.P. Management, Inc.	146,000	1,285,000
Net borrowings on line of credit	-	2,000,000
Payments on loan payable	-	(74,840)
Net cash from financing activities	397,696	3,135,946
Net change in cash	367,844	(550,181)
Cash and restricted cash, beginning of year	153,284	703,465
Cash and restricted cash, end of year	\$ 521,128	\$ 153,284

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

St. Vincent de Paul Village, Inc.

Statements of Cash Flows, Continued

<i>Years Ended December 31,</i>	2019	2018
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 164,800	\$ 105,602
Noncash Investing and Financing Activities:		
The Village received stock contributions of \$996,245 and \$910,482 for the years ended December 31, 2019 and 2018, respectively. \$30,000 and \$35,000 of the stock contributions received were contributions to the endowment for the years ended December 31, 2019 and 2018, respectively.		
During 2018, a note payable to S.V.D.P. was established with a principal amount of \$2,030,000 and accrued interest of \$167,310. This note represents a reclassification of cash advances previously recorded as Due to S.V.D.P. Management, Inc. for the period of 2014 through 2017.		
Cash and restricted cash:		
Cash	\$ 275,125	\$ 125,720
Restricted cash	246,003	27,564
Total cash and restricted cash	\$ 521,128	\$ 153,284

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

St. Vincent de Paul Village, Inc.

Statement of Functional Expenses

Year Ended December 31, 2019

	Housing and Supportive Services	Medical Clinic	Total	Cost of Retail Program	Management and General	Fundraising	Total Expenses
Salaries & Employee Related Expenses	\$ 9,132,110	\$ 2,751,613	\$ 11,883,723	\$ -	\$ 801,429	\$ -	\$ 12,685,152
Contract Services	1,239,663	186,309	1,425,972	-	1,427,252	2,795,114	5,648,338
Rent	2,396,468	239,272	2,635,740	-	308,817	-	2,944,557
Direct Client Expenses	2,789,304	10,840	2,800,144	-	-	-	2,800,144
Food	1,653,420	604	1,654,024	-	-	-	1,654,024
Employee Benefits	1,172,465	186,038	1,358,503	-	-	-	1,358,503
Occupancy Expense	932,067	3,705	935,772	-	-	-	935,772
Utilities	692,936	76,305	769,241	-	-	-	769,241
Repair & Maintenance	712,665	23,285	735,950	-	635	-	736,585
Contract Services - UCSD	-	667,073	667,073	-	-	-	667,073
Miscellaneous	400,251	58,711	458,962	-	19,081	138,675	616,718
Supplies	569,681	18,685	588,366	-	-	40	588,406
Depreciation and Amortization	505,380	5,194	510,574	-	-	-	510,574
Licenses & Fees	46,041	312,401	358,442	-	-	344	358,786
Insurance	318,560	18,528	337,088	-	-	20,356	357,444
Interest	193,059	99,450	292,509	-	-	20,440	312,949
Bad Debt Expense	238,838	36,000	274,838	-	-	-	274,838
Professional Fees	7,092	162,851	169,943	-	87,246	-	257,189
Medical & Dental	23,479	212,666	236,145	-	2,933	-	239,078
Vehicle	60,498	1,208	61,706	-	-	-	61,706
Telephone	52,386	3,483	55,869	-	-	-	55,869
Printing	2,312	12,400	14,712	-	-	-	14,712
Postage	319	784	1,103	-	-	-	1,103
Total	\$ 23,138,994	\$ 5,087,405	\$ 28,226,399	\$ -	\$ 2,647,393	\$ 2,974,969	\$ 33,848,761
% of Total	68%	15%	83%	0%	8%	9%	100%

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

St. Vincent de Paul Village, Inc.

Statement of Functional Expenses, Continued

<i>Year Ended December 31, 2018</i>							
	Housing and Supportive Services	Medical Clinic	Total	Cost of Retail Program	Management and General	Fundraising	Total Expenses
Salaries & Employee Related Expenses	\$ 9,432,232	\$ 2,108,302	\$ 11,540,534	\$ 1,826,946	\$ 724,528	\$ 984,814	\$ 15,076,822
Rent	2,461,986	203,288	2,665,274	437,117	266,091	66,073	3,434,555
Contract Services	1,194,467	298,782	1,493,249	46,651	1,442,712	136,855	3,119,467
Direct Client Expenses	2,269,186	10,886	2,280,072	-	-	-	2,280,072
Employee Benefits	1,107,430	159,046	1,266,476	200,901	-	82,570	1,549,947
Food	1,116,586	2,537	1,119,123	-	-	948	1,120,071
Utilities	852,776	67,190	919,966	159,341	-	-	1,079,307
Miscellaneous	274,004	360,525	634,529	55,342	13,526	176,041	879,438
Repair & Maintenance	625,092	38,527	663,619	39,627	85,663	30,590	819,499
Contract Services - UCSD	-	807,783	807,783	-	-	-	807,783
Professional Fees	12,108	205,094	217,202	143,235	203,526	257,374	821,337
Advertising	-	-	-	-	168,256	574,410	742,666
Occupancy Expense	662,336	2,648	664,984	41,276	2,491	-	708,751
Supplies	541,901	28,637	570,538	82,107	3,612	17,266	673,523
Depreciation and Amortization	502,161	1,944	504,105	9,440	-	-	513,545
Insurance	324,494	16,914	341,408	95,088	-	60,169	496,665
Special Events	-	-	-	-	-	443,489	443,489
Licenses & Fees	77,320	246,980	324,300	6,346	-	72,105	402,751
Interest	165,141	266,760	431,901	-	-	-	431,901
Vehicle	68,298	-	68,298	302,923	-	2,728	373,949
Printing	8,506	4,681	13,187	5,408	-	304,937	323,532
Bad Debt Expense	280,769	36,000	316,769	-	-	-	316,769
Medical & Dental	22,914	168,061	190,975	-	-	-	190,975
Postage	1,522	55	1,577	114	-	116,124	117,815
Telephone	61,248	3,327	64,575	11,863	-	12,539	88,977
Commodities Donations to Others	-	-	-	42,816	-	-	42,816
Total	\$ 22,062,477	\$ 5,037,967	\$ 27,100,444	\$ 3,506,541	\$ 2,910,405	\$ 3,339,032	\$ 36,856,422
% of Total	60%	13%	73%	10%	8%	9%	100%

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

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(1) Description of the Organization

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.

In April 2019, the Village entered into an agreement with Western Pharmacy Group Holdings, LLC (“WPG”) to create a California limited liability company (“LLC”) that will operate a pharmacy to serve the homeless and those at-risk for homelessness. WPG is the sole manager of the LLC with Village being a member. Both parties have a 50% interest, distributions and management rights with profits being distributed equally between WPG and the Village.

Retail: During 2018, 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 two retail thrift stores.

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

Effective January 1, 2019, the Village restructured and moved the retail and fundraising divisions to S.V.D.P. Management, Inc., (“S.V.D.P.”), an affiliated organization which develops, maintains and leases property, and provides funding and services to the Village for its operating activities.

The National AIDS Foundation (“NAF”) is an affiliated organization which was created to provide charitable assistance to persons afflicted with AIDS. NAF maintains no assets, liabilities, revenue or expenses and has not received any direct donations during 2019 or 2018.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(2) Summary of Significant Accounting Policies

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donors' stipulations results in the release of such restrictions.

Net Assets With Donor Restrictions – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the Village. Net assets with donor restrictions are designated by donors for specific purposes, and include unconditional pledges, split-interest agreements, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Directors (the "Board") for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity.

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities.

Cash and cash equivalents

Village's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Restricted cash

At December 31, 2019 and 2018, the Village had approximately \$246,000 and \$28,000, respectively, of restricted cash deposited with a financial institution. At times, the Village is named the trustee of individual trusts. These balances reflect aggregate amounts held to pay liabilities of these trusts.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

Investments

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

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

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

Realized gains and losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the period or since the acquisition date, if acquired during the period, and are recorded as a component of net assets without donor restrictions, unless restricted by donor.

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

Grants receivable

The Village is awarded grants from federal, state, county and city agencies. Those grants funded typically renew annually, with the amount awarded negotiated in advance. Grant revenue is recognized as revenue when the related program costs are incurred.

At December 31, 2019 and 2018, the Village had approximately \$3,220,000 and \$2,130,000, respectively, in grants receivable. Management determined that an allowance for doubtful accounts of \$200,000 and \$228,000 was necessary at December 31, 2019 and 2018 respectively.

Contributions, pledges and bequests receivable

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.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

Contributions, pledges and bequests receivable, cont'd

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

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

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 patients are covered by Medicare, Medi-Cal and other insurance payors. These payors limit payment for services based upon their respective schedules of usual, customary, and reasonable fees. Being a FQHC allows the Village to obtain additional reimbursement for the services provided.

Accounts receivable are recorded on the accrual basis at full billing rates and consist of amounts billed for services provided. Contractual allowances adjust 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 \$186,000 and \$85,000 was necessary at December 31, 2019 and 2018, respectively.

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 \$511,000 and \$514,000 for 2019 and 2018, respectively.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

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, 2019, the Village has not identified any indicators of impairment or recorded any impairment of long-lived assets.

Property held for sale

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

Due to/from related parties

Amounts reported as due to/from related parties, included in the accompanying statements of financial position, arise typically from the collaborative activities between the Centers, S.V.D.P., and various limited partnerships documented in Note 4 to further the mission of the organization.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed food and services

Contributed food is valued at fair value at the time of receipt. Contributed food of approximately \$726,000 and \$104,000 were included in contribution income on the statements of activities and food on the statements of functional expenses for 2019 and 2018, respectively.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

Contributed food and services, cont'd

Services provided by volunteers in the medical and dental clinics are measured by the fair value of the service received. Contributed services of approximately \$153,000 and \$192,000 were included in contribution income on the statements of activities and professional fees on the statements of functional expenses for 2019 and 2018, 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.

Sales of donated goods

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

Grant revenue

The Village is awarded grants from federal, state, county and city agencies. Grants are typically awarded for a multi-year period, with the amount awarded negotiated in advance. Grant revenue is most appropriately classified as conditional contributions, and therefore, revenue is recognized as conditions are met, which is typically when services are performed.

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.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

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 \$218,000 and \$133,000 for 2019 and 2018, respectively.

Functional expenses

The cost of providing various programs and services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Rent	Square Footage
Utilities	Square Footage
Food	Meal Count
Salaries & Employee Related Expenses	Time & Activity Sheets

Advertising

The Village expenses advertising costs as incurred and amounted to \$811,000 in 2018 which is included in advertising and special events on the statement of functional expenses. The retail activities including all advertising were transferred to S.V.D.P in 2019.

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

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

Use of estimates, cont'd

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 and cash equivalents and investments. The Village maintains its cash and cash equivalents and investments 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 and cash equivalents and investments.

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, 2019, the federal statute of limitation remains open for the 2017 through 2019 tax years and the statute of limitations for the state income tax returns remains open for the 2016 through 2019 tax years.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 classifications. Total net assets and change in net assets are unchanged due to these reclassifications.

New accounting pronouncements

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows – Restricted Cash which provides guidance regarding the classification and presentation of restricted cash and restricted cash equivalents in the statement of cash flows. Village adopted the new standard on January 1, 2019 and the adoption of ASU 2016-18 did not have a material impact on the Village's statements of cash flows.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

New accounting pronouncements, cont'd

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made under accounting principles generally accepted in the United States of America. During the year ended December 31, 2019, the Village adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).

(3) Availability and Liquidity

The Village receives significant grants and contributions without donor restrictions; during 2019 and 2018, such support represented approximately 98% and 91%, respectively, of annual program funding needs, with the remainder funded by grants and contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Village also receives gifts towards the endowment that will exist in perpetuity; the income generated from the endowment is used to fund programs.

As indicated by the accompanying financial statements, the Village's net assets increased by approximately \$9,492,000 for the year ended December 31, 2019. While the Village's net assets without donor restrictions is a deficit of approximately \$1,812,000, overall net assets are positive at approximately \$4,702,000. It is management's belief the deficiency in net assets will not impair the Village's ability to meet its current obligations or continue operations. The Village's deficiency is primarily due to its long-term obligations totaling approximately \$9,034,000 consisting of: 1) approximately \$5,727,000 due to S.V.D.P. an affiliated party which terms are defined in Note 1, with additional detail provided in the related party transaction information addressed in Note 4, 2) approximately \$2,373,000 in forgivable debt and accrued interest for which terms are described in Note 13, and 3) approximately \$934,000 outstanding on the self-funded margin loan as described in Note 13.

The related party amount owed to S.V.D.P. is not due for the foreseeable future.

In addition, the Village has \$151,000 available through margin loan at year end. Therefore, management believes Village's deficiency in net assets, primarily due to long-term obligations, does not hinder its ability to meet obligations as they become due and do not cause a concern related to its continuing operations.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(3) Availability and Liquidity, Cont'd

The Village's financial assets are comprised of the following:

<i>December 31,</i>	2019
Financial assets at year-end:	
Cash	\$ 521,128
Investments, less margin loan	1,442,560
Grants receivable, net	3,020,364
Contributions receivable	523,104
Pledge receivable	19,588
Bequests receivable	278,247
Medical clinic receivable, net of allowance	186,319
Note receivable, net of allowance	36,000
Pooled income fund	109,734
Charitable remainder trust	1,171,966
Cash surrender value of insurance	385,252
Beneficial interest in gift annuity	17,383
Beneficial interest in perpetual trusts	1,317,876
Endowment fund, less margin loan	3,300,058
Total financial assets	<u>12,329,579</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	6,170,851
Less net assets with purpose restrictions to be met in less than a year	(641,255)
Receivables scheduled to be collected in more than one year	19,588
	<u>5,549,184</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,780,395</u>

(4) 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 \$2,830,000 and \$2,776,000 for 2019 and 2018, respectively.

Fundraising paid approximately \$66,000 in 2018 to S.V.D.P. under a lease for office space.

Retail leased two warehouses from S.V.D.P. Total rent expense under these leases was approximately \$219,000 in 2018.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

Related party rental expense, cont'd

Effective January 1, 2019, the related party retail and fundraising leases were terminated with the transfer of these divisions to S.V.D.P.

Total future minimum lease payments in the years subsequent to December 31, 2019 are as follows:

<i>December 31,</i>		Total
2020	\$	759,783
2021		775,374
2022		791,290
2023		278,189
2024		30,223
Thereafter		63,658
Total	\$	2,698,517

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 \$40,000 and \$118,000 in 2019 and 2018, respectively.

The Village pays common area maintenance ("CAM") charges for the property leased from 15th & Commercial, L.P. The CAM charges were approximately \$683,000 and \$485,000 in 2019 and 2018, respectively.

Rental income from S.V.D.P. Management, Inc.

On July 1, 2018, the Village entered into a long-term operating sub-lease for Single Residence Occupancy units on the sixth and seventh floors of the 1506 Commercial Street building with S.V.D.P. The original monthly rent amount per the sub-lease agreement is \$16,667 with an annual adjustment for consumer price index ("CPI") beginning 12 months from the date Village entered into the sub-lease, expiring June 30, 2023. The Village's rental income was approximately \$202,000 and \$100,000 in 2019 and 2018, respectively. S.V.D.P. pays CAM charges for the property leased from the Village. The CAM charges were approximately \$68,000 in 2019. No CAM charges were charged in 2018.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

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

During 2019, S.V.D.P. had service contracts with the Village to provide administrative, development and grant services. The charges under these contracts were approximately \$4,374,000 in 2019. During 2018, S.V.D.P. had a service contract with the Village to provide administrative services. The charges under this contract were approximately \$1,490,000 in 2018.

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

S.V.D.P. pays for services on behalf of Village and provides cash advances from time to time. The Village owed S.V.D.P. approximately \$1,900,000 and \$9,952,000 as of December 31, 2019 and 2018, respectively. In 2019, S.V.D.P. forgave approximately \$8,871,000 of the amount due, which is presented on the Statement of Activities as contributions from S.V.D.P.

Note payable and accrued interest due to S.V.D.P Management, Inc.

A note payable to S.V.D.P. was established in 2018 with a principal amount of \$2,030,000. This note represents a reclassification of cash advances previously recorded as Due to S.V.D.P. Management, Inc. for the period of 2014 through 2017 funding any operating losses of the Medical Clinic, a Federally Qualified Health Clinic ("FQHC"). The loan amount may increase year over year based upon the Uniform Data Systems ("UDS") Reporting, which is a standardized reporting system that provides consistent information about health centers. The principal of the note will be adjusted no less often than annually based on the total costs of operations as defined by the UDS, Table 8A, which are advanced from S.V.D.P. Management, Inc. The note bears simple interest at the rate of 3% per annum. The term is five years with auto-renewal for consecutive periods of two years unless terminated by either Party. Payment of the loan shall be determined and mutually agreed upon by both parties but no later than the date that the FQHC becomes cash accretive. Interest expense was approximately \$99,000 and \$100,000 for 2019 and 2018, respectively. Accrued interest payable is approximately \$366,000 and \$267,000 as of December 31, 2019 and 2018. The principal amount outstanding is \$3,461,000 and \$3,315,000 As of December 31, 2019 and 2018, 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 \$3,240,000 and \$739,000 in 2019 and 2018, respectively. During 2019, \$2,000,000 of the contributions represent a non cash contribution from S.V.D.P. to pay off the Village's line of credit. See Note 12.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

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 of continuum of care funding to S.V.D.P. in both 2019 and 2018.

Investment in Village Place Apartments, L.P.

During 2019, the Village recognized a gain on investment in limited partnership of \$11 which is included in interest, investment, shared expenses and other income on the statement of activities. No distribution was received during 2019. The investment in limited partnership is stated at estimated fair value. The value of the investment in the partnership was \$70 at December 31, 2019.

During 2018, the Village recognized a gain on investment in limited partnership of \$19 which is included in interest, investment, shared expenses and other income on the statement of activities and received a distribution of \$4. The investment in limited partnership is stated at estimated fair value. The value of the investment in the partnership was \$59 at December 31, 2018.

(5) Leases

In addition to the related party leases described in Note 4, during 2018 the Village leased thrift stores under non-cancelable operating leases that expire at various dates through 2022. Rent expense under these operating leases was approximately \$214,000 for 2018. There was no rent expense under these operating leases in 2019.

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 \$18,000 and \$222,000 for 2019 and 2018, respectively.

Effective January 1, 2019, all thrift store property leases and all but one vehicle lease were transferred to S.V.D.P. with the transfer of the Village’s retail division. Therefore, the Village has no future minimum lease payments under these leases at December 31, 2019.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(5) Leases, Cont'd

Aggregate future minimum operating lease payments for the remaining vehicle in the years subsequent to December 31, 2019 are as follows:

<i>December 31,</i>		Total
2020	\$	17,207
2021		17,207
2022		1,434
Total	\$	35,848

(6) Grant Agreements

The Village has entered into five grant agreements with the U.S. Department of Housing and Urban Development (“HUD”) 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, Permanent Supportive Housing for Chronically Homeless (“PSHFCH”) Program and Benson Place Program. RRHFF and RRHFS were consolidated into one grant in the 2020 funding notification. 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, 2020 and 2021:

Grant Agreement	Commitment	2020	2021
Boulevard Apartments	HUD Commitment	\$ 51,230	\$ 38,423
	Village Commitment	12,808	9,606
		\$ 64,038	\$ 48,029
RRH Consolidated	HUD Commitment	\$ 1,568,549	\$ 1,410,483
	Village Commitment	392,137	352,621
		\$ 1,960,686	\$ 1,763,104
PSHFCH Program	HUD Commitment	\$ 1,736,889	\$ 1,723,837
	Village Commitment	434,222	430,959
		\$ 2,171,111	\$ 2,154,796
Benson Place	HUD Commitment	\$ 143,750	\$ 201,250
	Village Commitment	62,500	87,500
		\$ 206,250	\$ 288,750
Summary	HUD Commitment	\$ 3,500,418	\$ 3,373,992
	Village Commitment	901,667	880,685
		\$ 4,402,085	\$ 4,254,677

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(6) Grant Agreements, Cont'd

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, 2020 and 2021:

	2020	2021	Totals
Boulevard Apartments	\$ 30,490	\$ 22,868	\$ 53,358
Totals	\$ 30,490	\$ 22,868	\$ 53,358

(7) 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. The plan provides the Village the ability to make matching contributions on a discretionary basis. There were no matching contributions made to the plan for the years ended December 31, 2019 and 2018.

(8) Prepaid Expenses and Other Receivables, Net of Allowance

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

<i>December 31,</i>	2019	2018
Prepaid expenses	\$ 490,408	\$ 694,404
Medical clinic receivable, net of allowance	186,819	479,580
Note receivable, net of allowance	36,000	72,000
Prepaid expenses and other receivables, net of allowance	\$ 713,227	\$ 1,245,984

The Village had approximately \$373,000 and \$518,000 in medical clinic receivables at December 31, 2019 and 2018, respectively. Management determined an allowance for doubtful accounts of approximately \$186,000 and \$85,000 was necessary for the years ended 2019 and 2018 respectively.

At December 31, 2019 and 2018, the Village carried a note receivable balance of approximately \$180,000. Management determined an allowance for doubtful accounts of approximately \$144,000 and \$108,000 was necessary at December 31, 2019 and 2018, respectively.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(9) Investments

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

<i>December 31,</i>	2019	
	Cost	Fair Value
Cash	\$ 819,988	\$ 819,988
Mutual funds	-	679,033
Equities	21,309	327,037
Municipal bonds	-	442
Estimated accrued interest	-	3
Totals	\$ 841,297	\$ 1,826,503

<i>December 31,</i>	2018	
	Cost	Fair Value
Mutual funds	\$ 1,485,935	\$ 1,450,957
Cash	719,623	719,623
Municipal bonds	-	48,400
Equities	-	598
Estimated accrued interest	-	4
Totals	\$ 2,205,558	\$ 2,219,582

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

Investment returns net of investment expenses was an approximate \$155,000 gain for the year ended December 31, 2019 and \$78,000 loss for the year ended December 31, 2018.

(10) Pooled Income Fund and Charitable Remainder Trusts

The Village is the beneficiary under one pooled income fund and a two 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.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(10) Pooled Income Fund and Charitable Remainder Trusts, Cont'd

The charitable remainder trusts are administered by third-party trustees and the beneficial interest in the trusts are 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 2%.

Total unamortized discounts for the pooled income fund were approximately \$31,000 and \$32,000 as of December 31, 2019, and 2018, respectively.

Total unamortized discounts for the charitable remainder trust were approximately \$507,000 and \$653,000 as of December 31, 2019, and 2018, respectively.

(11) Accounts Payable and Accrued Liabilities

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

<i>December 31,</i>	2019	2018
Accounts payable	\$ 1,369,065	\$ 739,948
Accrued vacation	525,925	647,287
Accrued salaries	286,578	240,527
Accrued expenses	319,882	204,711
Accounts Payable and Accrued Liabilities	\$ 2,501,450	\$ 1,832,473

(12) 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 until maturity. The monthly interest payments are calculated using the prime rate plus 1.0%. S.V.D.P. was a guarantor on the LOC and it was collateralized by a deed of trust and an Assignment of Rents and Commercial Security Agreement.

During 2019, the LOC was fully paid off by S.V.D.P. and subsequently closed. At December 31, 2018, \$2,000,000 was outstanding on the LOC. Interest expense related to the LOC was approximately \$98,000 and \$44,000 for 2019 and 2018, respectively.

(13) Debt

In February 2012, the Village was awarded a loan of \$1,000,000 from the Emergency Housing and Assistance Program ("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

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(13) Debt, Cont'd

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, 2019 and 2018. Interest expense related to the loan was approximately \$13,000 and \$30,000 for 2019 and 2018, respectively. Accrued interest related to the loan was \$211,000 and \$198,000 for 2019 and 2018, respectively. Management is currently working with EHAP to obtain re-conveyance to support these amounts being forgiven.

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 Notice of Completion if certain conditions are met. The Village has drawn approximately \$568,000 of the loan as of December 31, 2019. Interest expense related to the loan was approximately \$17,000 for 2019 and 2018. Accrued interest related to the loan was \$100,000 and \$83,000 for 2019 and 2018, 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 \$427,000 of the loan as of December 31, 2019. Interest expense related to the loan was approximately \$13,000 for 2019 and 2018. Accrued interest related to the loan was \$68,000 and \$55,000 for 2019 and 2018, respectively.

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, 2019, the rate was 3.25%. 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, 2019 and 2018, the outstanding balance on the loan was approximately \$558,000 and \$682,000, respectively. Interest expense related to the loan was approximately \$28,000 and \$26,000 for 2019 and 2018, respectively.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(13) Debt, Cont'd

In June 2017, the Village obtained a margin loan against its investment account with lending capacity up to \$625,000 with a variable rate of interest equal to the LIBOR Rate plus the Spread. At December 31, 2019, the rate was 4.67%. The principal balance of the loan is collateralized by the 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 purpose of the loan is to assist in the funding of general operations. At December 31, 2019, the outstanding balance on the loan was approximately \$376,000. There was no outstanding balance at December 31, 2018. Interest expense related to the loan was approximately \$20,000 for 2019. There was no interest expense for 2018.

(14) Contingent Liability

The Village is contingently liable as guarantor with respect to approximately \$2,120,000 and \$7,873,000 of indebtedness of S.V.D.P. at December 31, 2019 and 2018, 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, 2019, management is not aware of any violations of these covenants.

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

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(15) Nature and amount of net assets with donor restrictions

The Village's net assets with donor restrictions are comprised of the following:

<i>December 31,</i>	2019	2018
Restricted for purpose:		
Family living center	\$ 486,029	\$ 1,533,190
Therapeutic childcare center	65,000	100,000
Village health center	75,727	-
Various programs	14,500	12,257
Therapeutic childcare center, Joan Kroc center, and Paul Mirabile center	-	247,917
Restricted for use in future periods:		
Charitable remainder trusts	1,171,965	554,173
Pooled income fund	109,734	108,939
Gift annuity	17,383	25,766
Endowment earnings	178,388	-
Restricted in perpetuity:		
Endowment fund	3,121,670	3,091,670
Less: Amount underwater	-	(350,560)
Restricted in perpetuity beneficial interest in perpetual trusts:		
St. Vincent de Paul Village fund	601,626	541,467
McEvoy trust	470,054	414,595
Charles and Lucille Borgerding fund	201,142	181,029
Totals	\$ 6,513,218	\$ 6,460,443

(16) Endowment Fund

Authoritative guidance related to not-for-profit entities provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and requires additional disclosures about an organization's endowment funds. 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.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(16) Endowment Fund, Cont'd

The Village has interpreted UPMIFA as the prudent preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Village classifies net assets with donor restrictions (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) the remaining portion of the donor-restricted endowment until those amounts are appropriated for expenditures by the Village in a manner consistent with the standard of prudence prescribed by the State of California's UPMIFA. 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 funds as of December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 4,394,492	\$ 4,394,492
Accumulated gains	-	178,388	178,388
Total endowment funds	\$ -	\$ 4,572,880	\$ 4,572,880

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

Endowment assets, January 1, 2019	\$ -	\$ 3,878,201	\$ 3,878,201
Change in value of beneficial interest in perpetual trusts	-	184,652	184,652
Contributions	-	30,000	30,000
Release from restriction	-	(48,921)	(48,921)
Net realized and unrealized gain	-	528,948	528,948
Endowment assets, December 31, 2019	\$ -	\$ 4,572,880	\$ 4,572,880

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(16) Endowment Fund, Cont'd

Endowment net asset composition by the type of fund as of December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 4,228,761	\$ 4,228,761
Underwater amount	-	(350,560)	(350,560)
Total endowment funds	\$ -	\$ 3,878,201	\$ 3,878,201

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

Endowment assets, January 1, 2018	\$ -	\$ 4,253,372	\$ 4,253,372
Change in value of beneficial interest in perpetual trusts	-	(61,735)	(61,734)
Contributions	-	35,000	35,000
Release from restriction	-	(47,290)	(47,290)
Net realized and unrealized loss	-	(301,146)	(301,146)
Endowment assets, December 31, 2018	\$ -	\$ 3,878,201	\$ 3,878,201

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 net assets with donor restrictions in the year in which they occur. Deficiencies of this nature that are reported in net assets with donor restrictions were approximately \$351,000 as of December 31, 2018. There were no such deficiencies as of December 31, 2019.

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.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(16) Endowment Fund, Cont'd

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

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

(17) 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.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(17) 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, 2019:

Asset Category	Level 1	Level 2	Level 3	Total
Equities:				
Industrial	\$ 218,380	\$ -	\$ -	\$ 218,380
Technology	100,454	-	-	100,454
Other	8,203	-	-	8,203
Mutual funds:				
Large blend/growth/value	251,712	-	-	251,712
Bond funds	387,560	-	-	387,560
Small blend	39,761	-	-	39,761
Municipal bonds	442	-	-	442
Sub-total investments	1,006,512	-	-	1,006,512
Pooled income fund	-	-	111,907	111,907
Charitable remainder trust	-	-	1,171,966	1,171,966
Cash surrender value insurance	-	-	385,252	385,252
Beneficial interest in gift annuity	-	-	62,335	62,335
Beneficial interest in perpetual trusts	-	-	1,317,877	1,317,877
Endowment funds:				
Financial equities	1,078,980	-	-	1,078,980
Bond funds	1,534,592	-	-	1,534,592
Foreign securities	617,463	-	-	617,463
Global real estate	85,050	-	-	85,050
Diversified emerging markets	399,976	-	-	399,976
Small value	142,334	-	-	142,334
Sub-total endowment funds	3,858,395	-	-	3,858,395
Total assets measured at fair value	\$ 4,864,907	\$ -	\$ 3,049,337	\$ 7,914,244

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(17) 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, 2019:

	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, 2019	\$ 113,110	\$ 554,174	\$ 346,070	\$ 64,962	\$ 1,180,447	\$ 2,258,763
Additions	-	342,367	-	-	-	342,367
Distributions	(3,805)	-	-	(9,130)	(43,355)	(56,290)
Change in valuation related to actuarial tables or other observable inputs	2,602	275,425	39,182	6,503	180,784	504,496
Balance at December 31, 2019	\$ 111,907	\$ 1,171,966	\$ 385,252	\$ 62,335	\$ 1,317,876	\$ 3,049,336

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	\$1,171,966	Present value of beneficial interests	Discount rate Years remaining	2.0% 6.8 – 30.55
Beneficial interest in gift annuity	\$ 62,335	Present value of beneficial interests	Discount rate Years remaining	4.75% 4.18 – 8.04
Pooled income fund	\$ 111,907	Present value of beneficial interests	Discount rate Years remaining	4.00% - 9.00% 9.0 – 23.0

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(17) 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, 2018:

Asset Category	Level 1	Level 2	Level 3	Total
Equities:				
Healthcare	\$ 566	\$ -	\$ -	\$ 566
Other	47,834	-	-	47,834
Mutual funds:				
Large blend/growth/value	466,419	-	-	466,419
Bank loan	201,049	-	-	201,049
Bond funds	729,929	-	-	729,929
Small blend	53,560	-	-	53,560
Municipal bonds	598	-	-	598
Sub-total investments	1,499,955	-	-	1,499,955
Pooled income fund	-	-	113,110	113,110
Charitable remainder trust	-	-	554,174	554,174
Cash surrender value insurance	-	-	346,070	346,070
Beneficial interest in gift annuity	-	-	64,962	64,962
Beneficial interest in perpetual trusts	-	-	1,180,447	1,180,447
Endowment funds:				
Financial equities	845,525	-	-	845,525
Bond funds	1,438,697	-	-	1,438,697
Foreign securities	497,026	-	-	497,026
Commodities broad basket	126,211	-	-	126,211
Global real estate	77,891	-	-	77,891
Diversified emerging markets	329,935	-	-	329,935
Small value	108,205	-	-	108,205
Sub-total endowment funds	3,423,490	-	-	3,423,490
Total assets measured at fair value	\$ 4,923,445	\$ -	\$ 2,258,763	\$ 7,182,208

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(17) 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, 2018:

	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, 2018	\$ 122,607	\$ 300,325	\$ 314,305	\$ 75,560	\$ 1,287,280	\$ 2,100,077
Additions	-	252,534	-	-	-	252,534
Distributions	(3,472)	-	-	(9,130)	(41,164)	(53,766)
Change in valuation related to actuarial tables or other observable inputs	(6,025)	1,315	31,765	(1,468)	(65,669)	(40,082)
Balance at December 31, 2018	\$ 113,110	\$ 554,174	\$ 346,070	\$ 64,962	\$ 1,180,447	\$ 2,258,763

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	\$ 554,174	Present value of beneficial interests	Discount rate Years remaining	3.60% 13.13 – 30.31
Beneficial interest in gift annuity	\$ 64,962	Present value of beneficial interests	Discount rate Years remaining	5.50% 4.45 – 8.47
Pooled income fund	\$ 113,110	Present value of beneficial interests	Discount rate Years remaining	4.00% - 9.00% 9.0 – 23.0

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(17) Fair Value Measurement, Cont'd

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

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

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

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

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

Cash surrender value of life insurance policies are those policies where the donor has identified the Village as the beneficiary. The value is predetermined by the insurance company as the value to be paid if the policy were to be surrendered prior to the death of the insured. In February 2011, the Village obtained three policy loans totaling approximately \$364,000 on the life insurance policies of which the Village has been named as the beneficiary. The notes have annual interest rates that vary between 5.15% and 7.40% which are required to be paid annually. Principal payments are encouraged but have no payment schedule as these amounts reduce the death benefits and cash surrender value of the policies. Interest expense related to the loans was approximately \$21,000 for 2019 and 2018.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(17) Fair Value Measurement, Cont'd

Beneficial interests in gift annuities are an arrangement whereby the donor contributes assets to the Village in exchange for a promise by the Village to pay them a fixed amount for a specified period of time. The underlying assets are composed of cash equivalents or fixed income securities adjusted using actuarial tables to estimate the remaining life of the donor and an appropriate interest rate (4.75% at December 31, 2019) to calculate the net present value of the asset.

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

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

(18) 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.

(19) Subsequent Events

The Village has evaluated subsequent events through November 17, 2020 which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the Village’s operations have been significantly impacted, and the Village continues to closely monitor the situation. No impairments were recorded as of the statement of financial position date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Village’s results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

St. Vincent de Paul Village, Inc.

Notes to Financial Statements

(19) Subsequent Events, Cont'd

In April 2020, due to the economic uncertainty resulting from the impact of the COVID-19 pandemic on the Village's operations and to support its ongoing operations and retain all employees, the Village applied for a loan under the Paycheck Protection Program, or the PPP, of the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, administered by the US Small Business Administration. The Village received a loan of approximately \$2,700,000. The loan matures in April 2022, bears interest at a rate of 1% per annum, is payable in equal monthly payments commencing in November 2020 through maturity and may be repaid at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, subject to specified limitations, the loan principal and accrued interest may be forgiven if the proceeds are used in accordance with the CARES Act. The Village intends to apply for forgiveness of the entire loan. However, there can be no assurance that the Village will obtain forgiveness of the loan in whole or in part.