

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL
USA**

Financial Statements, Schedule of
Expenditures of Federal Awards and Reports
Required by *Government Auditing Standards*
and the Uniform Guidance

Year Ended September 30, 2018

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

Financial Statements, Schedule of Expenditures of Federal Awards and
Reports Required by *Government Auditing Standards* and the Uniform
Guidance

Year Ended September 30, 2018

DISASTER SERVICES CORPORATION- SOCIETY OF ST. VINCENT DE PAUL USA

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Independent Auditor's Report

Board of Directors
DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA

We have audited the accompanying financial statements of Disaster Services Corporation-Society of St. Vincent De Paul USA ("DSC"), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and those 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DSC as of September 30, 2018, and the change in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for the purpose 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 audit 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 July 23, 2019, on our consideration of DSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of DSC's 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 DSC's internal control over financial reporting and compliance.

BDO USA, LLP

July 23, 2019

Financial Statements

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

**Statement of Financial Position
September 30, 2018**

| <i>September 30,</i> | <i>2018</i> |
|---|---------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 2,820,838 |
| Grant receivable | 310,773 |
| Unbilled grant receivable | 1,069,090 |
| Inventory | 200,764 |
| In-kind lease future benefit | 289,800 |
| Prepaid expenses and other assets | 156,755 |
| <hr/> | |
| Total current assets | 4,848,020 |
| <hr/> | |
| Noncurrent assets | |
| Property and equipment, net | 24,435 |
| Intangibles, net | 3,713 |
| <hr/> | |
| Total assets | \$ 4,876,168 |
| <hr/> | |
| Liabilities and Net Assets | |
| Liabilities | |
| Accounts payable | \$ 318,241 |
| Due to related organization, net | 118,315 |
| Accrued salaries and payroll taxes | 83,788 |
| <hr/> | |
| Total current liabilities and total liabilities | 520,344 |
| <hr/> | |
| Net assets | |
| Unrestricted | (134,136) |
| Temporarily restricted | 4,489,960 |
| <hr/> | |
| Total net assets | 4,355,824 |
| <hr/> | |
| Total liabilities and net assets | \$ 4,876,168 |

See accompanying notes to financial statements.

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

**Statement of Activities
September 30, 2018**

| <i>Year ended September 30,</i> | Unrestricted | Temporarily restricted | 2018 |
|--|---------------------|---------------------------|---------------------|
| Support and Revenues | | | |
| Federal revenue | \$ - | \$ 7,123,596 | \$ 7,123,596 |
| Private grants | - | 176,093 | 176,093 |
| In-kind contributions | - | 1,135,220 | 1,135,220 |
| Contributions | 254,285 | 2,957,695 | 3,211,980 |
| Net assets released from restrictions: | 7,524,439 | (7,524,439) | - |
| Total Support and Revenues | 7,778,724 | 3,868,165 | 11,646,889 |
| Expenses | | | |
| Program activities | 7,395,212 | - | 7,395,212 |
| Management and general | 614,257 | - | 614,257 |
| Fundraising | 1,720 | - | 1,720 |
| Total Expenses | 8,011,189 | - | 8,011,189 |
| Change in Net Assets | (232,465) | 3,868,165 | 3,635,700 |
| Net Assets, beginning of year | 98,329 | 621,795 | 720,124 |
| Net Assets, end of year | \$ (134,136) | \$ 4,489,960 | \$ 4,355,824 |

See accompanying notes to financial statements.

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

**Statement of Cash Flows
September 30, 2018**

| <i>Year ended September 30,</i> | 2018 |
|--|--------------|
| <hr/> | |
| Cash Flows from Operating activities | |
| Change in net assets | \$ 3,635,700 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 2,438 |
| Changes in current assets and liabilities: | |
| Grant receivable and unbilled grant receivable | (1,379,863) |
| Inventory | (200,764) |
| In-kind future lease benefit | (289,800) |
| Prepaid expenses and other assets | (156,130) |
| Accounts payable | 107,160 |
| Accrued salaries and payroll taxes | 74,816 |
| Due to/from related organization | 798,647 |
| Deferred revenue | (20,501) |
| <hr/> | |
| Net cash flows from operating activities | 2,571,703 |
| <hr/> | |
| Cash Flows from Investing Activities | |
| Purchase of property and equipment | (13,873) |
| <hr/> | |
| Net cash flows used in investing activities | (13,873) |
| <hr/> | |
| Net Change in Cash and Cash Equivalents | 2,557,830 |
| <hr/> | |
| Cash and Cash Equivalents, beginning of year | 263,008 |
| <hr/> | |
| Cash and Cash Equivalents, end of year | \$ 2,820,838 |
| <hr/> | |
| Supplemental Cash Flow Information | |
| Donation of In-kind contributions of leased space | \$ 570,585 |
| Donation of In-kind contributions of supplies | 565,635 |
| <hr/> | |

See accompanying notes to financial statements.

DISASTER SERVICES CORPORATION- SOCIETY OF ST. VINCENT DE PAUL USA

Notes to Financial Statements

1. Nature of Organization and Significant Accounting Policies

Organization

Disaster Services Corporation-Society of St. Vincent De Paul USA ("DSC") is a tax-exempt, nonprofit, charitable organization that provides humanitarian services primarily to poor and low-income families and individuals.

The primary mission of DSC is to provide disaster response and recovery services to clients throughout the United States and its territories. DSC's secondary missions include conducting disaster response training sessions, and providing disaster response management and consulting services to state and local governments and other nonprofits.

DSC frequently collaborates with other disaster relief and recovery agencies, organizations, and businesses to provide post-first responder long-term recovery assistance to those in need.

DSC is wholly owned by the National Council of the United States Society of St. Vincent de Paul, Inc. (the "Society"). DSC was incorporated in Missouri on February 10, 2017.

Financial Statement Presentation

DSC prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210-50. Under ASC 958-210-50, DSC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are resources available to support operations.

Temporarily Restricted - DSC reports any funding of cash and other assets as temporarily restricted support if they are received with program stipulations that limit the use of the funds. When a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted - These net assets are restricted by funders who stipulate that resources are to be maintained permanently, but permit DSC to expend all of the income (or other economic benefits) derived from the funds. DSC did not have any permanently restricted assets as of or during the year ended September 30, 2018.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking accounts with maturities of less than 90 days which are available for current use.

Fair Value Measurements

DSC's financial instruments are cash and cash equivalents, receivables, deferred revenue and payables. The recorded values approximate their fair values base on their short-term nature.

DISASTER SERVICES CORPORATION- SOCIETY OF ST. VINCENT DE PAUL USA

Notes to Financial Statements

Grants Receivable

Grants receivable are receivables from governmental agencies and is stated at the amount management expects to collect from outstanding balances. These reimbursements are subject to review by the issuing agency and consequently certain costs may be disallowed. Management is of the opinion that any adjustments made due to these reviews would be immaterial. Unbilled grant receivable are receivables from government agencies where expenses were incurred during the fiscal year but invoiced after year end.

Inventory

Inventory consists primarily of goods held for distribution to the House in the Box program. Inventory is a mix of items donated by individuals, organizations, commercial enterprises or purchased by DSC. Purchased inventory is stated at the lower of cost (first-in, first-out) or market. Donated goods inventory is recorded at fair value.

Property and Equipment

Property and equipment are carried at cost or, if donated, is recorded based on estimate fair value of the assets at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5-15 years.

Upon disposition of assets, the cost and related accumulated depreciation is removed with the resulting gain or loss recognized in unrestricted net assets.

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

Intangible Assets

Intangible assets, comprised of DSC's website and logo, are recorded at cost. Amortization is calculated using the straight-line method over the estimated useful life of the assets, which was estimated at seven years for the logo and five years for the website.

Revenue Recognition

Revenue is recognized when earned. Revenue from grants and contracts is generally recognized to the extent of allowable expenses incurred and the provisions applicable to the grant or contract. Any difference between revenues earned and the total funds received is recorded as a receivable, an advance or deferred income, whichever is applicable. Revenue from direct service, contracts and projects is recognized on accrual basis as earned according to the provisions of the grant.

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. DSC reports donations of cash and other assets as restricted support if they are

DISASTER SERVICES CORPORATION- SOCIETY OF ST. VINCENT DE PAUL USA

Notes to Financial Statements

received with donor stipulations that limit the use of the donated assets. When the satisfaction of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When donor restricted contributions are received and used for the purpose and/or time-period intended during the same year, they are reported as increases in unrestricted net assets.

Donated supplies, equipment and services are recorded as in-kind contributions at their fair value at date of receipt. There were donated supplies and leased space in the amount of \$565,635 and \$570,585, respectively, for the year ended September 30, 2018.

Functional Expenses

DSC allocates its expenses on a functional basis. Expenses can be identified with a specific program and support services are allocated directly according to their natural expenditures' classification. Other expenses that are common to several functions are allocated based on estimates made by management.

Concentration of Credit Risk and Other Concentrations

DSC management performs ongoing evaluations of the financial institutions it uses to limit its concentration of credit risk. DSC maintains cash balances in a checking account at a financial institution for day-to-day operating needs. At September 30, 2018, the amount in excess of Federal depository insurance coverage was \$2,570,838.

DSC expends funds for which it seeks reimbursement under grants from the Federal Government. 100% of grants receivable at September 30, 2018 was from one agency.

Income Taxes

DSC is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and classified by the Internal Revenue Service as an entity that is not a private foundation and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2017 and forward may be audited by regulatory agencies; however, DSC is not aware of any such actions at this time.

DSC has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DISASTER SERVICES CORPORATION- SOCIETY OF ST. VINCENT DE PAUL USA

Notes to Financial Statements

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard provides entities with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. The guidance permits entities to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of the ASU to fiscal years beginning after December 15, 2018. DSC is in the process of evaluating the impact of adoption on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. DSC is in the process of evaluating the impact of adoption on its financial statements.

In August 2016, the FASB issued Accounting Standards Update ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the DSC's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. DSC is currently evaluating the impact of this ASU on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

Notes to Financial Statements

whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction, which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Early adoption is permitted and DSC has elected to adopt this Accounting Guidance in 2018. There was no impact on beginning net assets.

2. Property and Equipment, Net

Property and equipment, net consisted of the following:

| <i>September 30,</i> | 2018 |
|--------------------------------|-----------|
| Furniture and equipment | 26,950 |
| Less: Accumulated depreciation | (2,515) |
| Property and equipment, net | \$ 24,435 |

Depreciation expense of \$2,438 was incurred for the year ended September 30, 2018.

3. Grants receivable

Grants receivable includes amounts due in connection with reimbursement of allowable expenditures made pursuant to the agreements with the State of Louisiana and the National Voluntary Organizations Active in Disasters. At September 30, 2018, grants receivable totaled \$310,773.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets include the following balances, which are restricted to specific program services as follows:

| <i>September 30,</i> | 2018 |
|---------------------------------------|--------------|
| Disaster Case Management | \$ 1,802,366 |
| House in a Box program | 1,712,770 |
| Recent hurricanes | 862,835 |
| Hope program | 60,710 |
| Louisiana floods | 5,801 |
| North Carolina relief effort | 3,639 |
| Other disaster relief | 41,839 |
| Total Temporary Restricted Net Assets | \$ 4,489,960 |

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

Notes to Financial Statements

Net assets released from restriction by incurring expenses satisfying the restricted purpose are as follows:

| <i>September 30,</i> | 2018 |
|---------------------------------------|--------------|
| Disaster Case Management | \$ 5,321,651 |
| House in a Box program | 1,307,287 |
| Recent hurricanes | 730,598 |
| Hope program | 3,091 |
| Other disaster relief | 161,812 |
| Total Temporary Restricted Net Assets | \$ 7,524,439 |

5. Commitments and Contingencies

Lease Commitments

DSC has entered into various noncancelable operating lease agreements for office facilities. Total lease expense for the year ended September 30, 2018, was \$429,342, which was inclusive of \$280,785 of donated in-kind lease expense. Future minimum rent payments are as follows:

| <i>Years ended September 30,</i> | Amount |
|----------------------------------|------------|
| 2019 | \$ 147,204 |
| 2020 | 9,450 |
| Thereafter | - |
| Total | \$ 156,654 |

6. Defined Contribution Plans

DSC currently offers two pension plans to its employees. The deferred contribution simplified employee pension plan allows discretionary employer contributions for eligible employees through the Pension Plan offered by the National Council of the United States Society of St. Vincent DePaul, Inc. Currently DSC contributes 8% of eligible employees' compensation. Employees are considered 100% vested upon eligibility. Contributions for the period ended September 30, 2018 totaled \$93,766.

The tax-deferred annuity plan allows employees to defer compensation as provided in Section 403(b) of the Internal Revenue Code. This plan is voluntary and contributions are made based upon a percentage of compensation elected by the employee.

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

Notes to Financial Statements

7. Related Party Transactions

During the year ended September 30, 2018, DSC operated as a subcontractor to the Society related to a Louisiana Contract, specifically DR4263 PF#2000199284. Expenses incurred under this project of \$741,732 are included within the Schedule of Expenditures of Federal Awards and corresponding revenue is recognized in the Statement of Activities.

The net payable to the Society is comprised of the following:

| <i>Years ended September 30,</i> | <i>Amount</i> |
|--------------------------------------|-------------------|
| Support receivable | \$ 64,731 |
| Less: Payable to Society | 183,046 |
| Total Payable to Society, net | \$ 118,315 |

8. Subsequent Events

DSC's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from September 30, 2018 through July 23, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in DSC's financial statements.

Supplemental Information

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

Supplemental Information-Schedule of Functional Expenses

| | Services | Management and General | Fundraising | Total |
|---|------------------|---------------------------|--------------|------------------|
| Personnel costs: | | | | |
| Salaries and payroll taxes | 4,159,320 | 241,938 | - | 4,401,258 |
| Staff insurance | 225,960 | 12,334 | - | 238,294 |
| Pension | 5,081 | 88,685 | - | 93,766 |
| Total Personnel Costs | <u>4,390,361</u> | <u>342,957</u> | - | <u>4,733,318</u> |
| Advertising | 18,350 | 9,114 | - | 27,464 |
| Depreciation and Amortization | 2,438 | - | - | 2,438 |
| Computer maintenance and supplies | 21,857 | 2,296 | - | 24,153 |
| Dues and subscriptions | - | 908 | - | 908 |
| Disaster services supplies and assistance | 783,632 | 3,821 | - | 787,453 |
| Insurance | 28,127 | 14,514 | - | 42,641 |
| Meals | 35,532 | 10,710 | - | 46,242 |
| Miscellaneous | 10,265 | 799 | 1,440 | 12,504 |
| Office and administrative | 415,736 | 67,750 | 145 | 483,631 |
| Postage | 1,492 | 272 | 135 | 1,899 |
| Professional fees | 350,736 | 47,640 | - | 398,376 |
| Rent | 406,601 | 22,741 | - | 429,342 |
| Repairs and maintenance | 3,974 | 540 | - | 4,514 |
| Telephone | 52,763 | 11,435 | - | 64,198 |
| Utilities | 16,525 | 2,267 | - | 18,792 |
| House in box supplies | 534,384 | - | - | 534,384 |
| Travel | 322,439 | 76,493 | - | 398,932 |
| | <u>7,395,212</u> | <u>614,257</u> | <u>1,720</u> | <u>8,011,189</u> |
| Total Expenses | | | | |

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

The Board of Directors
DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Disaster Services Corporation-Society of St. Vincent De Paul USA (DSC), which comprise the statement of financial position as of September 30, 2018, and the related statement of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated July 23, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

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

DSC's Response to Findings

DSC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. DSC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

BDO USA, LLP

July 23, 2019



Independent Auditor's Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance

DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA

Report on Compliance for Each Major Federal Program

We have audited the Disaster Services Corporation-Society of St. Vincent De Paul USA's (DSC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DSC's major federal programs for the year ended September 30, 2018. DSC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, DSC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items, that we consider to be material weakness and significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-004 to be a significant deficiency.

DSC's response to the internal control over compliance findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. DSC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

BDO USA, LLP

July 23, 2019

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

**Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Provided to Subrecipients |
|---|----------------|--|-------------------------------|------------------------------|
| U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA) | | | | |
| Passed through State of Louisiana | | | | |
| Disaster Assistance Projects (DR4263) | 97.088 | 2000345246 | \$ 113,355 | \$ - |
| Disaster Assistance Projects (DR4263) | 97.088 | 2000199284 | 760,605 | - |
| Disaster Assistance Projects (DR4277) | 97.088 | 2000345246 | 426,076 | - |
| Subtotal | | | 1,300,036 | - |
| Passed through National Voluntary Organizations Active in Disaster (NVOAD) | | | | |
| *Disaster Assistance Projects (DR4332) | 97.088 | N/A | 3,643,755 | - |
| Passed through Volunteer Florida | | | | |
| Disaster Assistance Projects (DR4337) | 97.088 | N/A | 383,686 | - |
| Disaster Case Management Program (DR4339) | 97.088 | N/A | 46,019 | - |
| Total U.S. Department of Homeland Security | | | 5,373,496 | - |
| Total Federal Programs | | | \$ 5,373,496 | - |

See accompanying notes are an integral part of this schedule

**\$47,895 of noncash assistance is reflected in this balance. Refer to Note 2 in the accompanying notes.*

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

**Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018**

Note 1 - Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Federal Awards includes the Federal grant activity of Disaster Services Corporation-Society of St. Vincent De Paul USA "DSC" and is presented on the accrual basis of accounting. DSC's Disaster Assistance Projects is considered the major program.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. DSC has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Note 2 - Noncash Assistance

In fiscal year 2018, DSC received donated in-kind lease space totaling to \$47,895. This is considered noncash assistance related to the major program. During the fiscal year 2018, DSC incurred \$13,984 in related in-kind expense and the difference of \$33,911 is reflected as in-kind future lease benefit as of September 30, 2018. The \$47,895 was reported in the accompanying Schedule of Federal Awards.

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

| | |
|--|------------|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | Yes |
| Significant deficiencies identified? | Yes |
| Noncompliance material to financial statements noted? | Yes |

Federal Awards

| | |
|--|------------|
| Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| Internal control over major programs: | |
| Material weakness(es) identified? | Yes |
| Significant deficiencies identified? | Yes |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

Identification of Major Federal Programs

| | Federal CFDA Number | |
|---|---------------------------|-----------|
| <i>Name of Federal Program or Cluster:</i> | | |
| Disaster Assistance Projects (DR4263) | 97.088 | |
| Disaster Assistance Projects (DR4277) | 97.088 | |
| Disaster Assistance Projects (DR4332) | 97.088 | |
| Disaster Assistance Projects (DR4337) | 97.088 | |
| Dollar threshold used to distinguish between Type A and Type B programs | | \$750,000 |
| Auditee qualified as low-risk auditee? | | No |

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018**

Section II - Financial Statement Findings

Finding 2018-001: Financial Statement Reconciliation and Close Process

Criteria

DSC is required to maintain effective internal control over financial reporting in accordance with *Government Auditing Standards* and U.S. GAAP.

Condition

1. There were 5 audit adjustment to correct balances in the original trial balance for the year ended September 30, 2018 to balances that could be supported by evidential material. These adjustments affected both federal and nonfederal activity. Accounts requiring adjustment include inventory, in-kind lease future benefit, program expense, in-kind contributions, unbilled federal receivables, and federal revenue.
2. In general, there was a lack of timely general ledger reconciliations including reconciliation of the Schedule of Expenditures of Federal Awards.
3. Exceptions were identified surrounding unrecorded in-kind contributions of donated inventory and donated lease space. We also identified inventory that was expensed when originally purchased.

Cause

The financial records of DSC were incomplete and reconciliations had not been performed timely, or if performed, were not prepared correctly or reviewed. There was also considerable difficulty, during the audit process, in obtaining supporting documentation in a timely manner.

Effect or Potential Effect

There were adjustments during the audit process to various account balances affecting certain assets, revenues, and expenses.

Recommendation

Monthly reconciliations performed on a timely basis and properly reviewed play a key role in the accuracy of accounting data and information included in the financial statements. The lack of timely reconciliations leads to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system, which does not provide accurate accounting information to management and the board to use in making well informed business decisions. This can also lead to significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to exist and continue without notice.

In order to provide more accurate and timely accounting information, we strongly recommend that DSC establish more effective general ledger account reconciliation and review policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that were typically made at year-end only, and performing more frequent reviews of the general ledger throughout the year. Appropriate analysis and review of the accounts should be performed on a regular basis to ensure that financial statements are prepared in accordance with generally accepted accounting principles.

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018**

We also recommend DSC develop policies and procedures surrounding in-kind contributions and related valuation techniques to record the in-kind contributions at fair value.

Views of Responsible Officials

Management concurs with this finding. Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes. Management hired an external third party to assist with the financial close and internal control process. Management has also hired 2 additional accounting staff to assist with accounting and financial reporting for federally awarded programs.

In addition, DSC has taken over the financial management process for one of its subcontractors to ensure the timeliness and accuracy of reporting expenses on the federally funded programs.

Finding 2018-002: Segregation of Duties

Criteria

DSC is required to design its control environment such that management or employees, in the normal course of performing their assigned functions, will likely prevent, or detect and correct, financial misstatements on a timely basis. Segregation of duties is a common and effective design feature of such a control environment.

Condition

DSC's Chief Financial Officer had administrator rights over the accounting system during fiscal year 2018.

Cause

The Chief Financial Officer was given these rights to continue the flow of operations for the accounting system.

Effect or Potential Effect

The lack of segregation creates a risk for fraud.

Recommendation

We recommend DSC segregate financial system administration rights from the finance function.

Views of Responsible Officials

Management concurs with this finding and has hired additional staff and will assess internal control processes for completeness and sufficiency.

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Section III - Federal Award Findings and Questioned Costs

Finding 2018-003: Reporting

CFDA # 97.088 U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), Pass-through from State of Louisiana
Pass-through identifying numbers: 2000345246, 2000199284, 2000345246

CFDA # 97.088 U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), Pass-through from National Voluntary Organizations Active in Disaster (NVOID)

CFDA # 97.088 U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), Pass-through from Volunteer Florida

CFDA # 97.088 U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), Disaster Case Management Program

Criteria

The Single Audit must be completed and submitted with the Data Collection Form (DCF) within nine months after the end of the fiscal year.

Condition

DSC did not timely complete the Single Audit and file the 2018 Data Collection Form. During our audit we also noted there were not proper controls surrounding the preparation and review of financial records including the schedule of expenditures of federal awards (SEFA). This schedule was not reviewed by any member of management other than the person who prepared the schedule.

Cause

Controls and adequate reconciliation procedures were not in place to ensure the accuracy of the financial records. Thus, timely and accurate filing was not facilitated by accounting personnel.

Effect or Potential Effect

Not completing the Single Audit and not filing the Data Collection Form timely constitutes noncompliance with the Uniform Guidance.

Questioned Costs

No questioned costs were noted with this finding.

Context

No additional contextual information was identified.

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018**

Recommendation

We recommend DSC implement controls surrounding the preparation, review and timely submission of financial records, including the SEFA. With regard to the SEFA, the reviewer should be someone different than who prepares the schedule and both personnel should be experienced with the federal programs. The preparation and review should incorporate review procedures to ensure a) all federal award program expenditures for the period covered are included in the total federal awards expended total, b) all federal programs are listed individually by federal agency, c) the proper presentation of federal awards received as a subrecipient, including the name of the pass-through entity and identifying number as assigned by the pass-through entity, d) the accuracy of the CFDA number and e) any noncash awards received are also reported on the face of the SEFA.

Views of Responsible Officials

Management concurs with this finding and will implement a system for tracking and recording of all report due dates and submissions. Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes.

Finding 2018-004: Procurement, Suspension and Debarment

- | | |
|---------------|--|
| CFDA # 97.088 | U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), Pass-through from State of Louisiana Pass-through identifying numbers: 2000345246, 2000199284, 2000345246 |
| CFDA # 97.088 | U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), Pass-through from National Voluntary Organizations Active in Disaster (NVOID) |
| CFDA # 97.088 | U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), Pass-through from Volunteer Florida |
| CFDA # 97.088 | U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), Disaster Case Management Program |

Criteria

DSC should comply with certain procurement, suspension and debarment requirements under Uniform Guidance sections 200.318 through 200.326. This also requires that recipients of federal awards have adequate procedures and controls in place related to procurement and that they ensure that procedures are properly documented. Procedures should provide for full and open competition supported by a cost or price analysis. They should necessitate obtaining a vendor debarment or suspension certification and also provide for retention of files and other supporting documentation that provides evidence of compliance with specified requirements.

Condition

We noted that DSC does not have adequate policies and procedures to ensure that federally funded contracts are not being entered into with any suspended and/or debarred vendors.

**DISASTER SERVICES CORPORATION-
SOCIETY OF ST. VINCENT DE PAUL USA**

Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Cause

DSC's procurement policies and procedures do not include requirements to verify that a vendor is not suspended or debarred from doing business with the federal government.

Effect or Potential Effect

An ineffective control system related to the procurement process can lead to noncompliance with laws and regulations. DSC could inadvertently contract with, or make sub-awards to, parties that are suspended or debarred from doing business with the federal government, as well as award contracts to vendors whose contract prices are unreasonable. Contracts awarded to invalid vendors may result in disallowed expenditures.

Questioned Costs

No questioned costs were noted with this finding.

Context

In the course of our audit no cases were noted where DSC used a disbarred contractor. This is a control matter.

Recommendation

We recommend DSC adopt the policy of documenting that vendors are not disbarred for federal purposes. We recommend implementing procedures with a special focus on the contracting officers and their responsibilities to ensure compliance with the required procurement process, and also properly document the vendor selection process.

Views of Responsible Officials

Management concurs with this finding and has created a contracts review policy to ensure all proper documentation that all compliance requirements are reviewed and validated according to the Uniform Guidance requirements.

Status of Prior Year Findings

Not applicable - no prior year findings



Management's Corrective Action Plan Year Ended September 30, 2018

Finding 2018-001: Financial Statement Reconciliation and Close Process

Responsible Person: Denise Dean (402) 610-2373

Projected Implementation Date: January 2019 (initial); July 2019 (additional implementation)

Views of Responsible Officials

Management concurs with this finding. Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes. Management hired an external third party to assist with the financial close and internal control process. Management has also hired 2 additional accounting staff to assist with accounting and financial reporting for federally awarded programs.

In addition, DSC has taken over the financial management process for one of its subcontractors to ensure the timeliness and accuracy of reporting expenses on the federally funded programs.

Finding 2018-002: Segregation of Duties

Responsible Person: Denise Dean (402) 610-2373

Projected Implementation Date: July 2019

Views of Responsible Officials

Management concurs with this finding and has hired additional staff and will assess internal control processes for completeness and sufficiency.

Finding 2018-003: Reporting

Responsible Person: Denise Dean (402) 610-2373

Projected Implementation Date: July 2019

Views of Responsible Officials

Management concurs with this finding and will implement a system for tracking and recording of all report due dates and submissions. Management's corrective action is to continue to strengthen the staffing infrastructure for financial statement close, reconciliation and review processes.

202.380.9664 | www.svdpcdisaster.org

Business Operations: 320 Decker Rd, Suite 100, Irving, TX 75062
DC Metro Office: 600 Caroline St., Suite D, Fredericksburg, VA 22401
Accounting Office: Haymarket Square 808 P St., Suite 317, Lincoln, NE 68508

2018-014: Procurement, Suspension and Debarment

Responsible Person: Denise Dean (402) 610-2373

Projected Implementation Date: July 2019

Views of Responsible Officials

Management concurs with this finding and has created a contracts review policy to ensure proper documentation that all compliance requirements are reviewed and validated according to the Uniform Guidance requirements.

202.380.9664 | www.svdpcdisaster.org

Business Operations: 320 Decker Rd, Suite 100, Irving, TX 75062
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