

**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

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
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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.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.
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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>	2018
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
Total current assets	4,848,020
Noncurrent assets	
Property and equipment, net	24,435
Intangibles, net	3,713
Total assets	\$ 4,876,168
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 318,241
Due to related organization, net	118,315
Accrued salaries and payroll taxes	83,788
Total current liabilities and total liabilities	520,344
Net assets	
Unrestricted	(134,136)
Temporarily restricted	4,489,960
Total net assets	4,355,824
Total liabilities and net assets	\$ 4,876,168

See accompanying notes to financial statements.

**DISASTER SERVICES CORPORATION-
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**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
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)
Net cash flows from operating activities	2,571,703
Cash Flows from Investing Activities	
Purchase of property and equipment	(13,873)
Net cash flows used in investing activities	(13,873)
Net Change In Cash and Cash Equivalents	2,557,830
Cash and Cash Equivalents, beginning of year	263,008
Cash and Cash Equivalents, end of year	\$ 2,820,838
Supplemental Cash Flow Information	
Donation of In-kind contributions of leased space	\$ 570,585
Donation of In-kind contributions of supplies	565,635

See accompanying notes to financial statements.

**DISASTER SERVICES CORPORATION-
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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.

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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

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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.

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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

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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:

<u>September 30,</u>	<u>2018</u>
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:

<u>September 30,</u>	<u>2018</u>
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

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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.

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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:

<u>Years ended September 30,</u>	<u>Amount</u>
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>-</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
Total Expenses	<u>7,395,212</u>	<u>614,257</u>	<u>1,720</u>	<u>8,011,189</u>

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