ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2015

Jones & Roth
CPAs & Business Advisors

ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Vincent de Paul Society of Lane County, Inc. and Subsidiaries
Eugene, Oregon

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Vincent de Paul Society of Lane County, Inc. (a nonprofit organization) and subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, functional expenses, 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Vincent de Paul Society of Lane County, Inc. and subsidiaries as of September 30, 2015, and the changes in their net assets and 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Also, the supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016 on our consideration of St. Vincent de Paul Society of Lane County, Inc. and subsidiaries' 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 St. Vincent de Paul Society Inc. and subsidiaries' internal control over financial reporting and compliance.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
March 28, 2016

CONSOLIDATED FINANCIAL STATEMENTS

ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2015

Assets

Current assets	
Unrestricted cash and cash equivalents	$ 1,254,734
Restricted cash and cash equivalents (Note 2)	3,046,473
Total cash and cash equivalents	4,301,207
Accounts receivable, net of allowance of $47,685	800,902
Accounts receivable, related parties, net of allowance of $640,865	268,495
Current portion of development fee receivable, related parties (Note 9)	583,436
Advance receivable, related party	750,000
Prepaid expenses	543,568
Inventory	3,681,209
Current portion of interest receivable, related parties	81,621
Total current assets	11,010,438
Fixed assets and intangibles, net (Note 4)	38,234,252
Other assets	
Notes receivable, Rural Rehabilitation Program, net of allowance of $89,580 (Note 6)	2,582,027
Notes receivable, Self-help Homeownership Opportunity Program (SHOP)	287,525
Notes receivable, related parties net of allowance of $153,421 (Note 9)	7,462,641
Notes receivable, other	42,370
Long-term portion of interest receivable, related parties, net of allowance of $848,979	702,548
Development fees receivable, related parties (Note 9)	290,017
Assets held for sale (Note 5)	414,502
Investments (Note 3)	6,745,729
Beneficial interest in the net assets of related organization (Note 9)	4,888,900
Total other assets	23,416,259
Total assets	$ 72,660,949

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	$ 635,450
Payroll and related accruals	1,050,036
Security deposits payable	310,549
Deferred revenue	31,740
Accrued interest	43,534
Lines of credit (Note 7)	253,129
Current portion of long-term debt (Note 8)	2,323,567
Total current liabilities	4,648,005
Long-term liabilities	
Long-term debt, net of current portion (Note 8)	26,188,011
Total liabilities	30,836,016
Net assets	
Unrestricted	16,906,294
Temporarily restricted (Note 15)	24,918,639
Total net assets	41,824,933
Total liabilities and net assets	$ 72,660,949

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

ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Contributions	$ 312,926	$ 1,072,474	$ 1,385,400
Contributions, in-kind other	379,755	229,869	609,624
Contributions, in-kind food	1,294,684	-	1,294,684
Retail sales, net	16,032,631	-	16,032,631
Grants	-	6,630,217	6,630,217
Rent income	3,404,880	-	3,404,880
Contract services	86,753	-	86,753
Interest income on notes receivable	243,821	-	243,821
Gain on investments	28,837	-	28,837
Management fees and partnership reimbursements	811,582	-	811,582
Developer fee income	1,087,307	-	1,087,307
Other	908,436	-	908,436
Net assets released from restrictions:			
Satisfaction of program restrictions	5,150,491	(5,150,491)	-
Total revenues, gains, and other support	29,742,103	2,782,069	32,524,172
Expenses			
General, manufacturing, retail, warehouses, and recycling	17,215,349	-	17,215,349
Housing	7,280,495	-	7,280,495
Services and training	3,492,817	-	3,492,817
Development	218,221	-	218,221
Management and general	1,613,467	-	1,613,467
Total expenses	29,820,349	-	29,820,349
Change in net assets	(78,246)	2,782,069	2,703,823
Net assets, beginning of year	16,984,540	22,136,570	39,121,110
Net assets, end of year	$ 16,906,294	$ 24,918,639	$ 41,824,933

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

ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2015

Cash flows from operating activities	
Change in net assets	$ 2,703,823
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,502,747
Net change in allowance for receivables	(251,941)
Unrealized gain on investments	(28,837)
Donation of fixed assets	(208,562)
(Increase) decrease in:	
Accounts receivable	(246,707)
Accounts receivable, related parties	8,988
Advance receivable, related party	(750,000)
Prepaid expenses	(149,326)
Inventory	(41,865)
Development fee receivable, related parties	(618,629)
Interest receivable, related parties	2,378
Increase (decrease) in:	
Accounts payable and accrued expenses	194,142
Payroll and related accruals	161,282
Other liabilities	498
Net cash provided by operating activities	2,277,991
Cash flows from investing activities	
Purchase of fixed assets	(7,146,264)
Proceeds from sale of fixed assets	720,000
Purchase of investments	(1,201,891)
Proceeds from assumption of interest in limited partnership	73,248
Proceeds from notes receivable, Rural Rehabiliation	270,042
Issuance of notes receivable, Rural Rehabiliation	(156,579)
Payments received on notes receivable, related parties	457,231
Proceeds from notes receivable, other	129
Investment in the beneficial assets of related organization	(4,888,900)
Net cash used by investing activities	(11,872,984)
Cash flows from financing activities	
Payments on long-term debt	(2,025,244)
Proceeds from issuance of long-term debt	12,499,500
Net draws on line of credit	2,538
Payments on capital lease	(11,935)
Net cash provided by financing activities	10,464,859

Net increase in cash and cash equivalents	869,866
Cash and cash equivalents, beginning of year	3,431,341
Cash and cash equivalents, end of year	$ 4,301,207
Supplemental disclosure of cash flow information	
Cash paid for interest	$ 890,860
Supplemental disclosure of noncash investing transactions	
Total acquisition of property and equipment	$ 8,186,393
Noncash assumption of property and equipment	(831,567)
Donation of property and equipment	(208,562)
Total cash paid for property and equipment	$ 7,146,264
Total increase in investments	$ 1,095,199
Unrealized gain on investments	(28,837)
Decrease due to transfer of interest in limited partnership	135,529
Net purchase of investments	$ 1,201,891
Total reduction of notes receivable, related parties	$ 655,998
Decrease in allowance for uncollectible notes receivable	261,201
Noncash payment due to transfer of interest in limited partnership	(459,968)
Total cash received from notes receivable, related parties	$ 457,231
Supplemental disclosure of noncash financing transactions	
Total proceeds from issuance of long-term debt	$ 12,690,866
Assumption of long-term debt	(191,366)
Total cash proceeds from issuance of long-term debt	$ 12,499,500

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

ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2015

	Program Services			
	General, Manufacturing, Retail, Warehouses, and Recycling	Housing	Services and Training	Total Program Services
Payroll	$ 8,690,904	$ 2,083,925	$ 1,086,509	$ 11,861,338
Payroll taxes and benefits	1,714,805	354,980	200,970	2,270,755
Purchases and handling	1,013,829	-	27,618	1,041,447
Utilities	928,954	585,196	147,146	1,661,296
Client assistance	30,477	1,219,315	375,594	1,625,386
Client assistance, in-kind food	-	-	1,266,384	1,266,384
Telephone	99,942	93,611	21,601	215,154
Repairs and maintenance	352,214	399,087	12,621	763,922
Supplies and office expenses	698,757	132,088	151,283	982,128
Rent	1,106,013	60,121	24,662	1,190,796
Insurance	150,394	85,468	39,940	275,802
Professional services	159,855	177,792	11,464	349,111
Licenses, taxes and fees	505,026	119,354	5,107	629,487
Interest expense	447,866	415,685	4,706	868,257
Provision for loan loss and bad debt	252	141,017	-	141,269
Advertising	184,727	2,867	1,185	188,779
Travel, conferences, and meetings	300,921	98,944	21,704	421,569
Vehicles	394,358	23,169	7,644	425,171
Special events	-	-	-	-
Other costs	45,120	276,015	24,620	345,755
Total functional expenses before depreciation and amortization	16,824,414	6,268,634	3,430,758	26,523,806
Depreciation and amortization	390,935	1,011,861	62,059	1,464,855
Total functional expenses	$ 17,215,349	$ 7,280,495	$ 3,492,817	$ 27,988,661

Support Services		
Development	Management and General	Total Expenses
$ 122,922	$ 1,148,862	$ 13,133,122
20,952	219,692	2,511,399
-	-	1,041,447
103	108,984	1,770,383
-	-	1,625,386
-	-	1,266,384
1,696	12,956	229,806
-	-	763,922
23,341	36,550	1,042,019
-	-	1,190,796
-	-	275,802
-	47,605	396,716
-	-	629,487
-	926	869,183
-	-	141,269
-	-	188,779
-	-	421,569
-	-	425,171
49,207		49,207
-	-	345,755
218,221	1,575,575	28,317,602
-	37,892	1,502,747
$ 218,221	$ 1,613,467	$ 29,820,349

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

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

St. Vincent de Paul Society of Lane County, Inc. (the Organization) is a nonprofit organization that creates employment, housing, and multiple training opportunities for low-income people in order to provide avenues out of poverty for those in need. The Organization has formed a sustainable community model that attacks the root causes of poverty and funds these activities with not-for-profit entrepreneurial business ventures.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of September 30, 2015, the Organization had $24,918,639 of temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations specify that the Organization maintain them permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of September 30, 2015, the Organization had no permanently restricted net assets.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and those of its wholly owned subsidiaries, De Paul RE Services, Inc.; Marion County Elderly, Inc.; De Paul Property Management, LLC; D Lamb, Inc.; Linn County Affordable Housing Acquisition, LLC; and Society of St. Vincent de Paul of Lane County. Inter-company transactions and balances have been eliminated in consolidation. The Organization is also the General Partner for 15 limited partnerships which are not subject to consolidation.

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, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Description of Programs

General, Manufacturing, Retail, Warehouses, and Recycling - The Organization operates thrift stores, an economic development department, and a recycling department. Clothing, appliances, furniture, and other durable goods bought at bulk prices, manufactured or donated, are resold to finance the administration of the Organization and special charitable programs.

Housing - The Organization owns, operates, constructs, and renovates housing for low-income families. The low-income housing projects are primarily funded by federal grant programs and rent income.

Services and Training - The Organization, in cooperation with various denominations, operates emergency day and night shelters for the homeless. The Organization also provides emergency medical, food, and other services for the indigent.

Cash and Cash Equivalents

All checking accounts, money market mutual funds, and certificates of deposit with original maturities of 90 days or less are treated as cash and cash equivalents in the consolidated statements of financial position and cash flows.

Accounts Receivable

Accounts receivable is comprised of amounts due from granting agencies, contracts, and other various receivables. Management evaluates the collectability of accounts receivable on a case-by-case basis and writes off any receivables that have been deemed uncollectible. The allowance is composed of amounts due from former tenants that management has deemed potentially uncollectible.

Accounts Receivable, Related Parties

Accounts receivable, related parties is comprised primarily of amounts due to the Organization from its limited partnerships for services rendered and fees earned. Management evaluates the collectability of these accounts receivable on a case-by-case basis and writes off any receivables that have been deemed uncollectible. The allowance is composed amounts due where ultimate collectability is uncertain due to the limited available cash flow from those entities.

Inventory

Purchased inventory is valued at the lower of cost (first-in, first-out) or market, generally based on an average cost per cubic foot or pounds of merchandise at the end of the year. The Organization also receives donated inventory throughout the year. The value of donated inventory at year end is determined by management based on a cumulative average value of donated inventory received throughout the year.

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Fixed Assets and Intangibles

Purchased land, buildings, equipment and intangibles are stated at costs and depreciated over the estimated useful lives of the respective assets on a straight-line basis. Donated assets are stated at their estimated fair market value on the date of donation. For assets constructed by the Organization, cost includes interest during the construction period and other carrying costs. When assets are disposed of, the cost and related accumulated depreciation is removed from the accounts, and any gain or loss is recorded. Items of property and equipment with a cost of $5,000 or more are capitalized. The estimated useful lives are 30 - 40 years for buildings, 7 - 15 years for improvements, and 5 - 7 years for equipment.

Investments

The Organization and its subsidiaries have formed various limited partnerships, 15 of which were in existence as of September 30, 2015 (see Note 3). The partnerships were formed to construct and operate affordable housing complexes. These investments are either consolidated or accounted for using the equity method depending on the Organization's direct and indirect ownership interest and the Organization's ability to exercise influence over operations and financial policies. Investments accounted for using the equity method are carried at cost adjusted annually for the Organization's proportionate share of earnings or losses.

Notes Receivable, Rural Rehabilitation Program

Notes receivable are stated at their unpaid principal balance plus accrued interest earned. Interest on notes is recognized for the first five years of the loan. Interest earned on notes associated with the Rural Rehabilitation Program is calculated using the compound interest method on principal and interest amounts outstanding. Interest earned on all other notes is calculated using the simple interest method on principal amounts outstanding.

Management has elected to provide an allowance for uncollectible notes receivable for the Rural Rehabilitation Program equal to the estimated collection losses that will be incurred. The allowance for loan loss is based upon periodic review of the collectability of the loan in light of historical experiences, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Once information is available that confirms the amount is uncollectible, the receivable is written off against the allowance.

Notes Receivable, Related Parties and Interest Receivable, Related Parties

Notes receivable, related parties, include notes due from the limited partnerships for which the Organization or its subsidiaries are the General Partner. The notes are stated at their unpaid principal balance. Interest on notes is recognized over the term of the loan. The notes are secured by real estate. Management has elected to provide an allowance for uncollectible notes receivable and interest receivable due from related parties. The allowances are based upon expected ability for the respective limited partnerships to pay the debt before or at the time of assumption of the limited partner interest by the Organization which is to occur at some future point in accordance with the respective partnership agreements. This evaluation is inherently subjective as it requires significant estimates that are susceptible to future revisions.

1. **Nature of Operations and Summary of Significant Accounting Policies,** continued

Beneficial Interest in the Net Assets of Related Organization

The Organization contributed $4,888,900 to a related organization, SVDP Leverage Lender (a non-profit organization), which was organized exclusively for the support and benefit of the Organization. The bylaws of SVDP Leverage Lender state that the majority of the board of directors must be individuals who are not then members of the board of directors of the Organization. Due to this stipulation, the Organization is not deemed to have control over SVDP Leverage Lender and, therefore, SVDP Leverage Lender is not required to be consolidated with the Organization for financial reporting under US GAAP. The Organization recognizes its interest in the net assets of the related organization as a beneficial interest in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-20-25-2. The amount of the beneficial interest is based on the amount contributed to the related organization and is adjusted annually for the Organization's share of the change in the net assets of the related organization.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The wholly owned subsidiaries of the Organization have various income tax statuses as follows: De Paul RE Services, Inc. and D, Lamb, Inc. – tax-exempt under IRC Section 501(c)(2); De Paul Property Management, LLC and Linn County Affordable Housing Acquisition, LLC - disregarded entities; Marion County Elderly, Inc. – taxable corporation; and Society of St. Vincent de Paul of Lane Count – tax-exempt under IRC Section 501(c)(3). The Organization and its subsidiaries file applicable tax forms in the U.S. federal jurisdiction, the state of Oregon, and the state of California. The returns are generally subject to examination by taxing authorities for a period of three years after filing.

Revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is recorded as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as a release from restriction.

Grant revenue for expense reimbursement based grants is recognized as qualified expenses are incurred, subject to the amount authorized in the grant agreement. Unreimbursed grant expenses due from grantor agencies are reflected in the financial statements as receivables and revenues.

Retail sales revenue is recorded when sales are made and is presented net of returns.

Fee for services revenue, including contract services, management fees and partnership reimbursements, and developer fee income, is recognized when the respective service is performed.

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Donated Services and Materials

The Organization records the value of donated services when the services meet the criteria for recognition in accordance with U.S. GAAP and there is an objective basis available to measure their value. The donated services included in the consolidated financial statements were valued at the fair market value of similar services. The Organization also receives donated services from a variety of unpaid volunteers who assist with programs in nonspecialized roles. Approximately 25,000 hours were donated by unpaid volunteers in 2015. No amounts have been reflected in the financial statements for these donated hours. Donated materials and supplies are reflected as in-kind contributions and are valued at the estimated fair market value as of the date the item is received.

Derivative Financial Instrument Policy – Interest Rate Swap

The Organization entered into an interest rate swap agreement to manage its interest rate exposure. Interest rate swaps are agreements to exchange interest rate payment streams based on the principal amount. Organization policy requires settlement accounting principles for interest rate swaps in which net interest rate differentials to be paid or received are recorded currently as adjustments to interest expense.

Advertising Costs

The Organization's advertising costs are expensed as incurred.

2. Cash and Cash Equivalents and Concentration of Credit Risk

Under the terms of grant agreements, the Organization is required to maintain restricted cash accounts and in some cases segregated bank accounts. The restricted accounts are typically restricted to pay operating expenses of the related programs or as reserves for repairs and replacements on housing projects.

Unrestricted cash and cash equivalents	$ 1,254,734
Restricted cash and cash equivalents	3,046,473
Total cash and cash equivalents	$ 4,301,207

Deposits with financial institutions include bank demand deposits, money market accounts, and certificates of deposit. The total bank balance of these accounts was $4,448,057 for the year ended September 30, 2015. Of these deposits, $2,666,771 was covered by federal depository insurance at September 30, 2015. The balance of $1,781,286 as of September 30, 2015, was not insured.

3. Investments

Investments consist primarily of capital contributed to the entities the Organization and its subsidiaries have formed to construct and operate affordable housing complexes for eligible tenants in Oregon. The Organization or one of its subsidiaries is the General Partner and acts as manager of the complexes.

The Organization and its subsidiaries' equity (deficit) in the limited partnerships and other investments at September 30, 2015 were as follows:

Alona Place Limited Partnership	$ -
Ash Meadows Limited Partnership	247,787
Aurora Housing Limited Partnership	1,330,753
Bascom Village Limited Partnership	1,205,864
Corey Commons Limited Partnership	187,372
Four Oaks Limited Partnership	116,699
Hazel Court Limited Partnership	102,850
Heather Glen Limited Partnership	(15)
Lamb Building Limited Partnership	1,117,605
Royal Building Limited Partnership	158,462
Santa Clara Limited Partnership	537,245
Spruce Terrace Limited Partnership	661,745
Stayton Manor Limited Partnership	96,767
Stellar Apartments Limited Partnership	690,107
Wallerwood Limited Partnership	129,269
Other investments	163,219
Total investments	$ 6,745,729

The Organization and its subsidiaries' interests in the limited partnerships ranges from .01 percent to .10 percent. The limited partnerships have calendar year ends. The summarized financial information for the above named limited partnerships at December 31, 2014 were as follows:

Total assets	$ 52,969,479
Total liabilities	21,680,195
Net loss	(1,513,314)

4. Fixed Assets and Intangibles

At September 30, 2015, a summary of fixed assets and intangibles was as follows:

Land	$ 8,031,513
Buildings	36,857,443
Equipment	3,529,166
Construction in progress and assets in development	32,716
Intangible assets – loan and financing fees	1,192,956
	49,643,794
Accumulated depreciation	(11,409,542)
Fixed assets and intangibles, net	$ 38,234,252

5. Assets Held for Sale

During 2009, the Organization purchased land from the city of Lowell, Oregon and land located in Veneta, Oregon with the purpose of developing the land and selling it to qualified homebuyers in accordance with grants received for that purpose. Costs associated with readying the land for sale are capitalized as land costs. The amounts are included as assets held for sale and is stated at the lower of its carrying amount or fair value, less costs to sell.

6. Notes Receivable, Rural Rehabilitation Program

In 2002, the Organization began the Rural Rehabilitation Program for Lane County which provides loans to eligible homeowners to improve the structure of their homes, and create a safer and healthier environment in which to live. They have subsequently added loans from the cities of Cottage Grove, Florence, Lowell, and Oakridge, Oregon. The loans accrue interest annually at 1 to 3 percent for the first 5 years of the loan. There is no interest on the loans after 5 years and they are secured by real estate. Each loan has a 20-year term and can be renewed in 5-year increments after the first 20 years. At September 30, 2015, the total amount of notes receivable for this program was $2,671,607. Amounts are net of an allowance for uncollectible accounts of $89,580, for the year ended September 30, 2015. All loans are considered to be long-term.

7. Lines of Credit

The Organization has three revolving lines of credit totaling $1,350,000 with Banner Bank that mature July 5, 2016. Interest is payable monthly based on a variable rate index and is subject to minimum and maximum rate limitations (effective rate of 3.375 percent at September 30, 2015). Collateral is provided by accounts receivable, inventory, and equipment. Outstanding borrowings on the revolving lines of credit were $253,129 at September 30, 2015 and the amount available on the lines of credit was $1,096,871. The credit agreement requires the Organization to maintain specified reporting requirements and financial covenants which are measured periodically. Management determined the Organization was in compliance with the financial covenants required by the credit agreement as of September 30, 2015.

8. Long-term Debt

As of September 30, 2015, long-term debt consisted of the following:

Notes payable, Wells Fargo Community Development Corp., with monthly payments of $8,993, including interest at 4.60%, monthly payments of interest only at 2.00%, and quarterly payments of interest only of 1.02%, due at various dates through January 2028, secured by real estate.	$ 9,261,988
Notes payable, Umpqua Bank, with monthly payments of $418 to $19,679, including interest of 4.35% to 5.25% and variable rates, due at various dates through May 2032, secured by real estate.	4,293,555

8. Long-term Debt, continued

Notes payable, State of Oregon, OFA Bond, with monthly payments of $18,018, including interest at 3.40%, due November 2039, secured by real estate.	3,492,403
Notes payable, city of Eugene, with monthly payments of $-0- to $2,245, including interest at 0.00% to 6.36%, due at various dates through July 2038 or when the underlying property is sold, secured by real estate.	2,063,136
Note payable, State of Oregon, OECD, with annual payments of $14,070, including interest at 5.35%, due December 2029, secured by real estate.	1,681,138
Notes payable, Banner Bank, with monthly payments of $531 to $6,167, including interest at 3.25% to 6.95%, due at various dates through May 2033, secured by real estate, other assets and assignment of rents.	1,655,158
Notes payable, Bank of America, with monthly payments of $3,109 to $4,153, including interest at 3.72% to 4.64%, due at various dates through February 2031, secured by real estate.	1,609,732
Notes payable, Network of Affordable Housing (NOAH), with monthly payments of $-0- to $2,083, including interest at 2.00% to 5%, due at various dates through June 2033, secured by real estate.	1,077,187
Notes payable, USDA Rural Development, with monthly payments of $584 to $1,705, including interest at 5.38% to 5.63%, due at various dates through June 2040, secured by real estate.	776,357
Note payable, city of Eugene, non-interest bearing, lump-sum payment due October 2015, secured by real estate.	750,000
Notes payable, Anita B. Stelling, interest only payments with interest of 3.50% to 4.00%, through April 2019 or when underlying property is sold, secured by real estate.	684,000
Note payable, KeyBank, with monthly payments of $3,303, including interest of 5.15%, due September 2028, secured by vehicles, equipment, and real estate.	387,858
Notes payable, Community Frameworks, non-interest bearing, forgivable after various dates through August, 2020, secured by real estate.	300,000

8. Long-term Debt, continued

Notes payable, city of Springfield, with monthly payments of $106 to $519, non-interest bearing, due at various dates through March 2030 or when underlying property is sold, secured by real estate.	132,124
Notes payable to various individuals or trusts, with monthly payments of $-0- to $679, including interest at 0.00% to 5.00%, due at various dates through December 2026, secured by real estate.	111,054
Note payable, Lane County, interest-only payments at 6.00% with lump sum due June 2016, secured by real estate.	94,500
Note payable, city of Salem, with monthly payments of $417, non-interest bearing, due January 2034, secured by real estate.	91,388
Note payable, Liguori, interest-only payments at 6.00% with lump sum due December 2016, secured by real estate.	50,000
	28,511,578
Current portion	(2,323,567)
Long-term debt, net of current portion	$ 26,188,011

Maturities of long-term debt for each of the next five years and thereafter are as follows:

For the Year Ending September 30,	
2016	$ 2,323,567
2017	866,948
2018	787,479
2019	1,646,256
2020	784,063
Thereafter	22,103,265
Total	$ 28,511,578

The notes payable require certain covenants related to cash flow, debt service coverage, and financial reporting to the lending institutions. As of September 30, 2015, the Organization's management believes the Organization was in compliance with all such covenants.

9. Related Party Transactions

Notes Receivable, Related Parties

At September 30, 2015, notes receivable, related parties consisted of the following:

Notes receivable, Ash Meadows Limited Partnership, payable with interest only at 0.00% to 6.49% to the extent of available cash flow, due December 2029, secured by real estate.	$	323,271
Notes receivable, Aurora Housing Limited Partnership, payable with interest only at 3.00% to 5.72% in quarterly installments from available cash flow, due September 2034, secured by real estate.		849,667
Note receivable, Bascom Village Limited Partnership, payable in monthly installments of interest at 0.33% to the extent of available cash flow, due July 1, 2044, secured by real estate.		390,902
Note receivable, Corey Commons Limited Partnership, payable with interest at 5.46% to the extent of available cash flow, due July 2033, secured by real estate.		275,000
Notes receivable, Four Oaks Limited Partnership, payable with interest at 1.00% to 3.00% to the extent of available cash flow, due at various dates through June 2053, secured by real estate.		190,567
Note receivable, Hazel Court Limited Partnership, payable to the extent of available cash flow without interest, due on demand, secured by real estate.		81,526
Notes receivable, Heather Glen Limited Partnership, payable with interest only at 5.40% to the extent of available cash flow, due December 2059, secured by real estate.		1,168,576
Notes receivable, Lamb Building Limited Partnership, payable with interest only at 0.05% to the extent of available cash flow, due August, 2039, secured by real estate.		560,000

9. Related Party Transactions, continued

Notes Receivable, Related Parties, continued

Notes receivable, Royal Building Limited Partnership, payable with interest only at 3.00% to the extent of available cash flow, due at various dates through September 2036, secured by real estate.		1,250,650
Notes receivable, Santa Clara Limited Partnership, payable with interest only at 1.00% to 5.46% to the extent of available cash flow, due at various dates through July 2034, secured by real estate.		562,230
Note receivable, Spruce Terrace Limited Partnership, payable in monthly installments of interest at 3.00% to the extent of available cash flow, due July 2031, secured by real estate.		696,696
Note receivable, Stayton Manor Limited Partnership, payable with interest at 4.00% to the extent of available cash flow, due on demand, secured by real estate.		71,895
Note receivable, Stellar Apartments Limited Partnership, payable in monthly installments of interest at 2.89% beginning August 1, 2013 to the extent of available cash flow, due December 2062, secured by real estate.		965,354
Notes receivable, Wallerwood Limited Partnership, payable with interest at 0.00% to 3.00% to the extent of available cash flow, due at various dates through June 2053, secured by real estate.		229,728
		7,616,062
Allowance for uncollectible notes receivable		(153,421)
Notes receivable, related parties, net	$	7,462,641

Total interest income was $150,640 at year ended September 30, 2015. Total net accrued interest on the notes receivable was $784,169 at year ended September 30, 2015. Total accrued interest is reported net of allowance of allowance of $848,979.

Advance Receivable, Related Party

During the year ended September 30, 2015, the Organization advanced $750,000 to Bascom Village Limited Partnership, a related party, as short term financing for construction related costs. There was no interest charged on the advance. Payment of the advance receivable was due October 2015 and payment was received subsequent to year end.

9. Related Party Transactions, continued

Development Fees Receivable, Related Parties

At September 30, 2015, development fees receivable, related parties consisted of the following:

Heather Glen Limited Partnership, payments are subject to the partnership having available cash flow; however, the fee is to be paid in full no later than December 31, 2021. Total payments received in 2015 were $-0-.	$ 43,901
Royal Building Limited Partnership, payments are subject to the partnership having available cash flow; however, the fee is to be paid in full no later than December 31, 2019. Total payments received in 2015 were $-0-.	169,829
Bascom Village Limited Partnership, $507,000 is due upon receipt of the partnership's receipt of the investor limited partner capital contribution which is expected in 2016 and the remainder of the payments are subject to the partnership having available cash flow. Total payments received in 2015 were $200,000.	561,307
Alona Place Limited Partnership, due upon receipt of the partnership's receipt of the investor limited partner capital contribution which is expected in 2016. Total payments received in 2015 were $250,000.	76,000
Lamb Building Limited Partnership, payments are subject to the partnership having available cash flow. Total payments received in 2015 was $13,096.	22,416
	873,453
Current portion	(583,436)
Development fees receivable, related parties, net of current portion	$ 290,017

Case Management, Property Management, and Accounting Fees

The Organization acts as property manager for multiple limited partnerships and performs various management and accounting duties for the partnerships. For the year ended September 30, 2015, there were 15 limited partnerships. Income from property management totaled $811,582 for the year ended September 30, 2015.

Beneficial Interest in the Net Assets of Related Organization

During the year ended September 30, 2015, the Organization contributed $4,888,900 to SVDP Leverage Lender, a related non-profit organization. The Organization recognizes the contribution as a beneficial interest in the net assets of SVDP Leverage Lender. The beneficial interest will be adjusted annually for the Organization's share of SVDP Leverage Lenders change in net assets.

10. Lease Obligations

The Organization leases buildings for store operations, the Interfaith Emergency Shelter System, and manufacturing facilities under non-cancelable operating leases expiring at various dates through 2034. Total rent expense for the year ended September 30, 2015 was $1,190,796, including $918,204 for all facilities under non-cancelable operating leases.

At September 30, 2015, future minimum lease payments under such leases were as follows:

For the Year Ending September 30,		
2016	$	980,169
2017		992,946
2018		863,421
2019		743,209
2020		595,534
Thereafter		2,096,201
Total	$	6,271,480

11. Contingencies

Grants and bequests require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in a request by grantors to return the funds. The Organization's management considers this contingency to be a remote possibility, since the Board could modify the objectives of the Organization to the provision of the grantor, if necessary.

12. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

13. Donated Food

The Organization receives donations of noncash assets in the form of food from Food for Lane County and other sources. The food is then distributed as direct aid to individuals. Total value of food received was $1,294,684 for the year ended September 30, 2015, and is included in contributions – in-kind food, of which $1,287,414 for the year ended September 30, 2015, was received from Food for Lane County.

14. Derivative Financial Instrument – Interest-Rate Swap

The Organization entered into an interest-rate swap agreement related to the bond issuance. The Organization will pay a fixed interest rate of 4.48 percent to KeyBank. KeyBank has agreed to pay a variable rate on the principal amount of the bonds. During 2009, the bonds associated with the interest-rate swap were paid in full. However, the interest-rate swap agreement is still in effect until March 1, 2019. The loss on the interest-rate swap was $47,441 as of September 30, 2015. The loss is included in interest expense.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Services and Training program:	
General	$ 358,021
Buildings and equipment	669,118
Total Services and Training program	1,027,139
Housing program:	
General	2,284,121
Buildings and equipment	11,229,910
Assets held for sale	414,502
Notes receivable – Rural Rehabilitation	2,582,027
Notes receivable – Self-help Homeownership Opportunity Program	287,525
Investments in low income housing projects	6,649,673
Total Housing program	23,447,758
Other program:	
General	443,742
Total temporarily restricted net assets	$ 24,918,639

16. Contribution to Related Party - Aster, Inc.

During 2008, the Organization contributed $1,168,914 for the formation of Aster, Inc., a 501(c)(3) nonprofit organization. Aster, Inc. was formed for the purpose of constructing and operating an affordable housing project. Aster, Inc. is a related party that shares some management and board members with the Organization, but Aster, Inc. is not controlled by the Organization. As of September 30, 2015, assets, liabilities, and net assets of Aster, Inc. consisted of the following:

Cash and reserves	$ 293,510
Prepaid expenses	2,941
Note receivable	27,031
Land, building and leasehold improvements, net of accumulated depreciation of $1,137,536	5,170,183
Total assets	$ 5,493,665
Accounts payable and other liabilities	$ 33,939
Net assets	5,459,726
Total liabilities and net assets	$ 5,493,665

17. Assumption of Limited Partnerships

During the year ended September 30, 2015, De Paul PM, LLC, a wholly owned subsidiary of the Organization, was assigned the exiting limited partners' ownership interest in Hilyard Terrace Limited Partnership. At the time the interest was assigned, the partnership became wholly owned by the Organization and subsidiaries. At the time of the assignment, the assets and liabilities of the limited partnership were transferred to the Organization and subsidiaries in satisfaction of the amounts due to the Organization. The assets were recorded at their estimated fair market value based on the restricted rents cash flow at the date of the assignment. At the time of the transfer, the Organization had amounts due from the limited partnership classified as investments in the partnerships and various receivables due from the partnerships which approximated the fair value of the net assets received at the time of the transfer; therefore, no gain or loss was recognized on the transaction.

18. Subsequent Events

Management evaluates events and transactions that occur after the consolidated statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

Subsequent to year end, the Organization contributed $108,050 to Stayton Manor Limited Partnership, $39,461 to Wallerwood Limited Partnership and $81,526 to Hazel Court Limited Partnership under terms of the partnerships' respective limited partnership agreements.

SINGLE AUDIT

ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed-through Food for Lane County, Inc.:		
Emergency Food Assistance Program	10.569	$ 86,569
Passed-through Oregon Department of Human Services:		
Food Stamp Employment and Training Program (100% Military Grant)	10.xxx	86,155
Total U.S. Department of Agriculture		172,724
U.S. Department of Housing and Urban Development		
Passed-through Lane County:		
Community Development Block Grant	14.218	64,968
Passed-through Lane County:		
Emergency Solutions Grant Program	14.231	154,541
Direct Award - Continuum of Care Program	14.267*	656,073
Passed-through Mainstream Housing Inc.:		
Continuum of Care Program	14.267*	24,331
Passed-through city of Eugene:		
Home Investment Partnerships Program - Bascom	14.239*	750,000
Home Investment Partnerships Program - J Street	14.239*	490,213
Home Investment Partnerships Program - CHDO	14.239*	64,965
Passed-through Community Frameworks:		
Self-Help Homeownership Opportunity Program	14.247	300,000
Total U.S. Department of Housing and Urban Development		2,505,091
U.S. Department of Labor:		
Direct Award - Homeless Veterans Reintegration Program	17.805*	230,331
U.S. Department of Veterans Affairs		
Direct Award - Veteran Rehabilitation - Alcohol and Drug Dependence	64.019	114,080
Direct Award - VA Homeless Providers Grant and Per Diem Program	64.024	198,015
Direct Award - VA Supportive Services for Veteran Families	64.033*	1,135,340
Total U.S. Department of Veteran Affairs		1,447,435

ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended September 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Direct Award - Rehabilitation Services - Vocational Rehabiliation Grants to States	84.126	24,476
U.S. Department of Health and Human Services		
Direct Award - Temporary Assistance for Needy Families	93.558	181,762
Passed-through Lane County:		
Low-Income Home Energy Assistance	93.568	12,916
Total U.S. Department of Health and Human Services		194,678
U.S. Department of Homeland Security:		
Direct Award - Emergency Food and Shelter National Board Program	97.024	8,500
Total federal awards		$ 4,583,235

* Denotes major program

1. Organization of the Schedule

Grants are organized by federal department or agency and identified by the Catalog of Federal Domestic Assistance (CFDA) number.

All identified federal awards expended by St. Vincent de Paul Society of Lane County, Inc. and its subsidiaries are included in the schedule. The information in the schedule is presented in accordance with OMB Circular A-133.

2. Summary of Significant Accounting Policies

Expenditures are reported on the accrual basis. Expenditures in a program which are not covered by the federal award are not included in the schedule.

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*

To the Board of Directors
St. Vincent de Paul Society of Lane County, Inc. and Subsidiaries
Eugene, Oregon

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 consolidated financial statements of St. Vincent de Paul Society of Lane County, Inc. (a nonprofit organization) and subsidiaries (the Organization), which comprise the consolidated statement of financial position as of September 30, 2015 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 consolidated 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 Finding 2015-001 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of their 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization'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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
March 28, 2016

Jones & Roth
CPAs & Business Advisors

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
St. Vincent de Paul Society of Lane County, Inc. and subsidiaries
Eugene, Oregon

Report on Compliance for Each Major Federal Program

We have audited St. Vincent de Paul Society of Lane County, Inc. and subsidiaries' (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2015. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the St. Vincent de Paul Society of Lane County, Inc. and subsidiaries 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, 2015.

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Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliances requirements referred to above. In planning and performing our audit of compliance, we considered the Organization'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 OMB Circular A-133, 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 the Organization's internal control over compliance.

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. 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.

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 were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002 which we consider to be a material weakness.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
March 28, 2016

Summary of Audit Results

1) The independent auditor's report expresses an unmodified opinion on the consolidated financial statements of St. Vincent de Paul Society of Lane County, Inc. and subsidiaries (the Organization).

2) One material weakness was disclosed during the audit of the consolidated financial statements of the Organization and is reported in the 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*. There were no other significant deficiencies disclosed by the audit of the consolidated financial statements of the Organization.

3) No instances of noncompliance material to the consolidated financial statements, which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4) One material weakness was disclosed during the audit of the internal control over major federal award programs and is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133. There were no other significant deficiencies disclosed by the audit of the internal control over major federal award programs.

5) The independent auditor's report on compliance for the major federal award programs for the Organization expresses an unmodified opinion.

6) Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this schedule.

7) The programs tested as major programs were:

CFDA # 14.239	Home Investment Partnerships Program
CFDA # 14.267	Continuum of Care Program
CFDA # 17.805	Homeless Veterans Reintegration Program
CFDA # 64.033	Supportive Services for Veteran Families

8) The threshold for distinguishing between Type A and Type B programs was $300,000.

9) The Organization did not qualify as a low-risk auditee as defined by OMB Circular A-133, §__.530

Findings – Financial Statement Audit

Finding 2015-001

Type of Finding: Material weakness in internal controls over financial reporting

Criteria: Under professional standards, it is the responsibility of the Organization's management to design and implement internal controls over financial reporting to ensure that the Organization's accounts are properly recorded in accordance with U.S. GAAP. Significant adjustments that arise as a result of audit procedures that were otherwise not detected by the Organization's management are required to be reported as a deficiency in internal control over financial reporting.

Findings – Financial Statement Audit, continued

Finding 2015-001, continued

Condition: While performing audit procedures, we identified numerous accounts that required adjustment in order to be properly recorded in accordance with U.S. GAAP. Due to the number of audit adjustments required and the dollar amount of some of the adjustments, we are considering this deficiency to be a material weakness in internal control over financial reporting.

The misstatements that were discovered as a result of audit procedures that were corrected would have had the following impact on the consolidated financial statements if left unadjusted:

Assets	Overstated by $288,119
Liabilities	Understated by $323,692
Net Assets	Overstated by $611,811
Revenues	Overstated by $727,206
Expenses	Understated by $131,050

Effect of Condition: Failing to review and/or fully reconcile all of the significant accounts of the Organization could cause the consolidated financial statements to be materially misstated.

Recommendation: We recommend management review the design and implementation of internal control procedures and identify areas to strengthen the Organization's internal controls. We recommend updating the process used to reconcile significant accounts at year-end and add additional layers of review before information is provided for audit.

Management's Response and Planned Corrective Actions: Management agrees with the auditor's comment. Management is reviewing the design and implementation of internal control procedures as recommended and working to strengthen internal controls. Our intent is to implement timely reconciliations for significant accounts and proper review of said accounts.

Findings and Questioned Costs – Major Federal Award Programs Audit

Finding 2015-002

Type of Finding: Material weakness in internal control over compliance
Federal Program: All federal programs
Questioned Costs: None.

Criteria: OMB Circular A-133, §__.300 requires the auditee to identify all federal awards received and expended and the federal programs under which they were received.

Findings and Questioned Costs – Major Federal Award Programs Audit, continued

Finding 2015-002, continued

Condition: While performing audit procedures on the schedule of expenditures of federal awards (SEFA), we noted the internal controls that are currently in place with the intent to identify federal awards and to capture all relevant information for federal awards are not well designed and have not been fully implemented. We also noted a material federal award was not included on the SEFA provided at the commencement of the audit.

Effect of condition: The SEFA was not complete and did not accurately reflect all required information and the SEFA was materially misstated at the commencement of the audit because it was missing $490,213 expenditures of a federal award. In addition, preparation of the SEFA took staff a considerable amount of time due to lack of documentation of federal awards throughout the year.

Recommendation: We recommend the Organization needs to develop a system whereby all federal assistance is identified at both the program level and in the finance department. We recommend identifying whether prospective grants or other forms of assistance include federal funding at the time applications are made. We further recommend that one individual or department be made responsible for tracking this information on an ongoing basis and that this information be provided to the finance department on an ongoing basis as well.

Management's Response and Planned Corrective Actions: Management agrees with the auditor's comment and is instituting corrective procedures to identify federal assistance at both the program level and in the finance department. The use of a grant coversheet by program managers is a part of this process and includes the following elements:

- Project/Program
- Grant Name/ID
- Grant Amount
- SVDP Contact Person
- Federal Finds Yes CDFA# or No
- Purpose of Finds
- Funding Agency/Org
- Contact Person at agency
- Contact Phone/email
- Fund Disbursement Process
- Any specific Timelines
- Special Notes/Restrictions

Management is working to have Program Managers immediately submit to the finance department copies of any new, revised or ongoing grant agreements. The finance department will use this information to complete the SEFA.

Prior Year Findings – Financial Statement Audit

Finding 2014-001

Type of finding: Material weakness in internal control over financial reporting

Condition: During the prior year audit, the auditor noted several deficiencies in internal control within the Organization. It was noted the Organization appeared to be lacking the following: an organizational chart that clearly defines the reporting responsibility for each department; job descriptions maintained for personnel within the accounting department; a documented process for year-end closing entries and periodic reconciliation for significant accounting areas including: subsidiary and limited partnership transactions, fixed asset schedules between the accounting system and fixed asset software, and temporarily restricted net assets; and documentation and maintenance of various loan covenant and reporting requirements.

2015 follow-up: We noted an organizational chart was completed. However, we noted job roles and responsibilities were not clearly defined. We also noted the continued absence of a well-documented process for year-end closing entries and significant accounting areas were not fully reconciled throughout the year or at year-end or before the commencement of audit procedures. We also noted various loan covenant and reporting requirements were not fully documented. This is a repeat finding; see Finding 2015-001.

Finding 2014-002

Type of finding: Significant deficiency in internal control over preparation of the schedule of expenditures of federal awards (SEFA)

Condition: The Organization did not initially prepare the SEFA with all the required elements.

2015 follow-up: Repeat finding; see Finding 2015-002.

Finding 2014-003

Type of finding: Significant deficiency in internal control over compliance for Eligibility and Instance of Noncompliance.

Condition: During the testing of eligibility requirements for the Supportive Housing Program (SHP), it was noted that the Organization did not maintain the resident rent calculation spreadsheet in the eligibility files. This was considered noncompliance with the compliance requirement of Eligibility with respect to the SHP.

2015 follow-up: The SHP was not a major program for the audit for the year ended September 30, 2015 because the program was no longer in existence. The SHP was phased out by HUD and replaced with the Continuum of Care Program. The Continuum of Care Program was a major program and there were no reported findings with respect to internal controls over compliance for Eligibility and there were no reported findings of noncompliance with the program Eligibility requirements.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION
OAKWOOD MANOR LIMITED PARTNERSHIP BALANCE SHEET
September 30, 2015

Assets

Rental property	
Building and improvements	$ 2,098,073
Furniture and fixtures	7,801
Landscaping	1,827
	2,107,701
Accumulated depreciation	(455,360)
	1,652,341
Land	412,300
Rental property, net	2,064,641
Funded reserves	
Tenant security deposits	49,459
Replacement reserve	106,526
Insurance reserve	29,698
Total funded reserves	185,683
Other assets	
Due from General Partner	44,957
Loan fees, net of accumulated amortization of $12,993	56,761
Total other assets	101,718
Total assets	$ 2,352,042

Liabilities and Partners' Capital

Liabilities applicable to investment in real estate	
Note payable, State of Oregon Housing and Community Services	$ 1,681,138
Note payable, City of Eugene	359,260
Total liabilities applicable to investment in real estate	2,040,398
Other liabilities	
Tenant security deposits	49,459
Total liabilities	2,089,857
Partners' capital	262,185
Total liabilities and partners' capital	$ 2,352,042

SUPPLEMENTARY INFORMATION
OAKWOOD MANOR LIMITED PARTNERSHIP STATEMENT OF OPERATIONS
AND PARTNERS' CAPITAL
For the Year Ended September 30, 2015

Revenue	
Net rental income	$ 427,863
Interest income	111
Other income	13,097
Total revenue	441,071
Operating expenses	
Amortization	4,103
Depreciation	142,531
Salaries and related payroll taxes and benefits	53,216
Interest	100,635
Licenses and fees	4,698
Trash removal	17,555
Telephone	2,707
Miscellaneous	195
Professional services	1,218
Repairs and maintenance	44,359
Utilities	53,644
Total operating expenses	424,861
Net income	16,210
Partners' capital, beginning of year	245,975
Partners' capital, end of year	$ 262,185

SUPPLEMENTARY INFORMATION
OAKWOOD MANOR LIMITED PARTNERSHIP STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2015

Cash flows from operating activities	
Net income	$ 16,210
Noncash items included in net income:	
Depreciation and amortization	146,634
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in due from General Partner	(44,957)
Change in deferred revenue	(3,918)
Change in security deposit liability	(540)
Net cash provided by operating activities	113,429
Cash flows from investing activities	
Change in security deposits reserve	540
Deposits to funded reserves	(23,343)
Net cash used by investing activities	(22,803)
Cash flows from financing activities	
Payments on notes payable	(90,626)
Net change in cash	-
Cash, beginning of year, restated	-
Cash, end of year	$ -

The General Partner determined that the Partnership improperly reported funded reserves as cash on the prior year cash flow statement. The beginning of year cash balance has been restated to reflect the actual cash balance at October 1, 2014 which was $-0-.

SUPPLEMENTARY INFORMATION
SOMMERVILLE APARTMENTS BALANCE SHEET
September 30, 2015

Assets

Rental property	
Building and improvements	$ 1,226,056
Accumulated depreciation	(27,778)
	1,198,278
Land	129,070
Rental property, net	1,327,348
Cash	-
Funded reserves	
Operating reserve	44,093
Replacement reserve	26,472
Insurance and tax reserve	18,835
Total funded reserves	89,400
Other assets	
Accounts receivable	5,384
Prepaid expenses	12,717
Loan fees, net of accumulated amortization of $31	7,469
Total other assets	25,570
Total assets	$ 1,442,318

Liabilities and Owner's Equity

Liabilities applicable to investment in real estate	
Note payable, Network for Oregon Affordable Housing	$ 577,187
Other liabilities	
Due to owner	838,893
Accounts payable	6,345
Tenant security deposits	15,780
Deferred rent	1,618
Total other liabilities	862,636
Total liabilities	1,439,823
Owner's equity	2,495
Total liabilities and owner's equity	$ 1,442,318

SUPPLEMENTARY INFORMATION
SOMMERVILLE APARTMENTS STATEMENT OF OPERATIONS AND OWNER'S EQUITY
For the Year Ended September 30, 2015

Revenue		
Net rental income	$	173,052
Interest income		53
Other income		590
Total revenue		173,695
Operating expenses		
Amortization		31
Depreciation		27,778
Salaries and related payroll taxes and benefits		34,713
Outside property management fee		6,002
Interest		10,214
Insurance		2,623
Licenses and fees		3,245
Telephone		2,117
Miscellaneous		657
Professional services		1,700
Repairs and maintenance		35,847
Utilities		41,025
Total operating expenses		165,952
Net income		7,743
Owner's equity (deficit), beginning of year		(5,248)
Owner's equity, end of year	$	2,495

SUPPLEMENTARY INFORMATION
LINN COUNTY AFFORDABLE HOUSING, LLC
IRONWOOD VILLAGE APARTMENTS BALANCE SHEET
September 30, 2015

Assets

Current assets	
General operating account	$ 33,706
Tax and insurance reserve	8,238
Replacement reserve	106,911
Tenant security deposits	11,513
Accounts receivable (0-30 days), net of allowance of $689	8,753
Total current assets	169,121
Capital assets	
Land	268,706
Building and improvements	1,084,615
	1,353,321
Accumulated depreciation	(269,783)
Total capital assets, net	1,083,538
Total assets	$ 1,252,659

Liabilities and Member's Equity

Current liabilities	
Accounts payable (0-30 days)	$ 7,513
Unearned revenues	780
Tenant security deposits	11,678
Total current liabilities	19,971
Notes payable-USDA RD	776,357
Total liabilities	796,328
Member's equity	456,331
Total liabilities and member's equity	$ 1,252,659

SUPPLEMENTARY INFORMATION
LINN COUNTY AFFORDABLE HOUSING, LLC
IRONWOOD VILLAGE APARTMENTS SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended September 30, 2015

Operating revenue		
Rents	$	54,455
Rental assistance received		104,632
Interest subsidy		27,958
Laundry and vending		561
Interest		97
Tenant charges		8
Other		1,577
Total operating revenues		189,288
Operating expenses		
Operating and maintenance:		
Maintenance and repairs		20,145
Payroll		34,264
Payroll taxes and benefits		6,851
Utilities:		
Electricity		4,151
Water		3,825
Sewer		8,982
Garbage and trash removal		4,203
Administrative:		
Management fee		14,861
Advertising		44
Telephone and internet		3,108
Office supplies		889
Training		1,302
Taxes and Insurance		5,160
Other taxes, licenses and permits		872
RD debt payments		14,962
Interest		43,911
Manager's rent free unit		8,400
Legal		476
Bad debt		2,772
Miscellaneous		1,176
Total operating expenses		180,354

Total operating expenses	180,354
Net operating income	8,934
Non-operating revenues (expenses)	
Other debt payments for non-USDA debt	-
Total non-operating revenues (expenses)	-
Net income before GAAP reconciliation	8,934
Reconciliation to GAAP	
Depreciation/amortization	30,745
Principal debt payments	(14,962)
Net loss	$ (6,849)

SUPPLEMENTARY INFORMATION
SOCIETY OF ST. VINCENT DE PAUL OF LANE COUNTY STATEMENT OF FINANCIAL POSITION
September 30, 2015

Assets

Current assets	
Cash	$ 202,571
Accounts receivable	65,016
Inventory	324,685
Prepaid expenses	12,727
Total current assets	604,999
Fixed assets	
Buildings and improvements	6,977,604
Equipment and fixtures	622,239
	7,599,843
Accumulated depreciation	(213,321)
Fixed assets, net	7,386,522
Other assets	
NMTC fees, net of accumulated amortization of $19,344	605,563
NMTC sub-allocation fee, net of accumulated amortization of $9,528	310,472
Total other assets	916,035
Total assets	$ 8,907,556

Liabilities and Net Assets

Current liabilities	
Accounts payable	$ 40,752
Accrued payroll and related liabilities	100,874
Due to related organization	293,936
Total current liabilities	435,562
Long-term liabilities	
Notes payable	8,000,000
Total liabilities	8,435,562
Net assets, unrestricted	471,994
Total liabilities and net assets	$ 8,907,556

SUPPLEMENTARY INFORMATION
SOCIETY OF ST. VINCENT DE PAUL OF LANE COUNTY
STATEMENT OF ACTIVITIES
For the Period November 13, 2014 (Inception) through September 30, 2015

Unrestricted revenue	
Retail sales	$ 2,305,344
Contributions from related organization	473,629
Donated equipment, related organization	420,000
Other income	15,275
Total unrestricted revenue	3,214,248
Expenses	
Payroll, benefits, and taxes	1,385,695
Purchases	727,413
Utilities	129,839
Telephone	6,625
Repairs and maintenance	65,621
Operating supplies	37,365
Professional services	3,901
Taxes, licenses, and fees	39,177
Interest expense	69,319
Vehicle expenses	17,751
Other expenses	17,355
Depreciation and amortization	242,193
Total expenses	2,742,254
Change in net assets, unrestricted	471,994
Net assets, unrestricted, beginning of year	-
Net assets, unrestricted, end of year	$ 471,994