

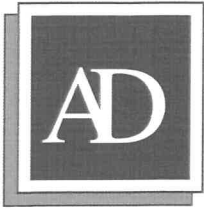


ABBATE DEMARINIS, LLP
Certified Public Accountants & Consultants

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

As of and for the Years Ended
December 31, 2020 and 2019



ABBATE DEMARINIS, LLP
Certified Public Accountants & Consultants

Independent Auditors' Report

Board of Trustees of
St. Michael's Home, Inc.

Report on the Financial Statements

Opinion

We have audited the financial statements of St. Michael's Home, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. Michael's Home, Inc. as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Michael's Home, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Michael's Home, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

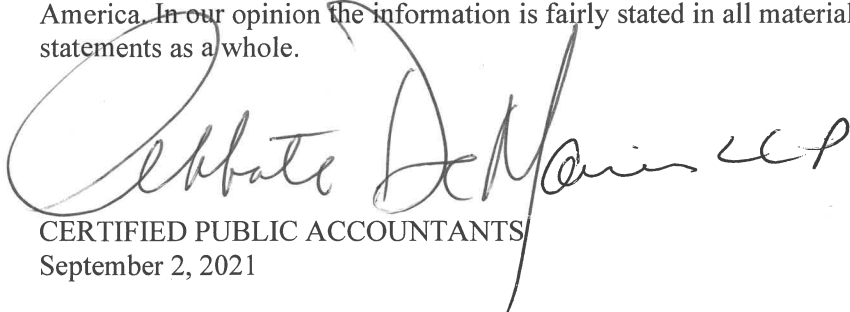
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 St. Michael's Home, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Michael's Home, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.



CERTIFIED PUBLIC ACCOUNTANTS
September 2, 2021

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

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ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 510,719	\$ 149,729
Accounts Receivable	9,046	12,684
Prepaid Expenses and Other Current Assets	38,307	39,051
Mortgage Escrows	<u>55,675</u>	<u>81,528</u>
TOTAL CURRENT ASSETS	<u>613,747</u>	<u>282,992</u>
PROPERTY AND EQUIPMENT - NET (Note 4)	12,876,551	11,989,761
OTHER ASSETS		
Beneficial Interest in Split-Interest Agreements (Note 5)	639,310	599,737
Assets Whose Use is Limited (Note 6)	<u>7,908,701</u>	<u>7,895,218</u>
TOTAL OTHER ASSETS	<u>8,548,011</u>	<u>8,494,955</u>
TOTAL ASSETS	<u>\$ 22,038,309</u>	<u>\$ 20,767,708</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 87,453	\$ 78,722
Accrued Expenses	49,205	40,659
Mortgage Payable (Note 7)	<u>58,913</u>	<u>56,431</u>
TOTAL CURRENT LIABILITIES	<u>195,571</u>	<u>175,812</u>
MORTGAGE PAYABLE LESS CURRENT PORTION (Note 7)	<u>1,624,881</u>	<u>1,676,744</u>
TOTAL LIABILITIES	<u>1,820,452</u>	<u>1,852,556</u>
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS		
Without Donor Restrictions	11,669,846	10,420,197
With Donor Restrictions (Notes 5 and 6)	<u>8,548,011</u>	<u>8,494,955</u>
TOTAL NET ASSETS	<u>20,217,857</u>	<u>18,915,152</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,038,309</u>	<u>\$ 20,767,708</u>

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

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2020

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING SUPPORT			
Revenues - Resident Fees	\$ 1,023,486	\$ -	\$ 1,023,486
Expenses (Schedule I)			
Care of Residents	1,457,020	-	1,457,020
Administrative Expenses	472,433	-	472,433
Total Expenses	<u>1,929,453</u>	<u>-</u>	<u>1,929,453</u>
NET OPERATING SUPPORT LOSS BEFORE NON OPERATING SUPPORT	<u>(905,967)</u>	<u>-</u>	<u>(905,967)</u>
NON OPERATING SUPPORT			
Contributions and Pledges	234,241	1,080,347	1,314,588
Bequests and Memorials	538,121	-	538,121
Holiday Appeals	78,581	-	78,581
Chapel Income	3,094	-	3,094
Dinner Dance Event - Net (Schedule II)	775	-	775
Investment Income (Expense) - Net	67	(5)	62
Gain on Beneficial Interest in Split-interest Agreements	-	39,573	39,573
Other Income (Note 8)	233,878	-	233,878
TOTAL NON OPERATING SUPPORT	<u>1,088,757</u>	<u>1,119,915</u>	<u>2,208,672</u>
CHANGE IN NET ASSETS	182,790	1,119,915	1,302,705
NET ASSETS, BEGINNING OF YEAR	10,420,197	8,494,955	18,915,152
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,066,859</u>	<u>(1,066,859)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 11,669,846</u>	<u>\$ 8,548,011</u>	<u>\$ 20,217,857</u>

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

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2019

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING SUPPORT			
Revenues - Resident Fees	\$ 1,163,468	\$ -	\$ 1,163,468
Expenses (Schedule I)			
Care of Residents	1,396,399	-	1,396,399
Administrative Expenses	<u>539,901</u>	<u>-</u>	<u>539,901</u>
Total Expenses	<u>1,936,300</u>	<u>-</u>	<u>1,936,300</u>
NET OPERATING SUPPORT LOSS			
BEFORE NON OPERATING SUPPORT	<u>(772,832)</u>	<u>-</u>	<u>(772,832)</u>
NON OPERATING SUPPORT			
Contributions and Pledges	298,123	2,874,585	3,172,708
Bequests and Memorials	315,214	-	315,214
Holiday Appeals	85,231	-	85,231
Chapel Income	5,183	-	5,183
Dinner Dance Event - Net (Schedule II)	127,776	-	127,776
Investment Income	81	6,731	6,812
Gain on Beneficial Interest in Split-interest Agreements	-	58,806	58,806
Other Income	<u>13</u>	<u>-</u>	<u>13</u>
TOTAL NON OPERATING SUPPORT	<u>831,621</u>	<u>2,940,122</u>	<u>3,771,743</u>
CHANGE IN NET ASSETS	58,789	2,940,122	2,998,911
NET ASSETS, BEGINNING OF YEAR	9,725,683	6,190,558	15,916,241
NET ASSETS RELEASED FROM RESTRICTIONS	<u>635,725</u>	<u>(635,725)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 10,420,197</u>	<u>\$ 8,494,955</u>	<u>\$ 18,915,152</u>

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

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,302,705	\$ 2,998,911
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization	7,923	7,923
Depreciation	180,604	178,473
Gain on Beneficial Interest in Split-interest Agreements	(39,573)	(58,806)
(Increase) Decrease in Assets		
Accounts Receivable	3,638	16,550
Prepaid Expenses and Other Current Assets	744	18,128
Mortgage Escrows	25,853	39,309
Increase (Decrease) in Liabilities		
Accounts Payable	8,731	(49,071)
Accrued Expenses	<u>8,546</u>	<u>6,073</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,499,171</u>	<u>3,157,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,067,394)	(813,717)
Increase in Assets Whose Use is Limited	<u>(13,483)</u>	<u>(2,245,591)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,080,877)</u>	<u>(3,059,308)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgage Payable	<u>(57,304)</u>	<u>(29,097)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(57,304)</u>	<u>(29,097)</u>
NET INCREASE IN CASH	360,990	69,085
CASH, BEGINNING OF YEAR	<u>149,729</u>	<u>80,644</u>
CASH, END OF YEAR	<u>\$ 510,719</u>	<u>\$ 149,729</u>

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

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

- (1) **Nature of Operations** - St. Michael's Home, Inc. (the "Home") is a not-for-profit corporation dedicated to the purpose of providing living facilities and services for the aged.
- (2) **Summary of Significant Accounting Policies** - The significant accounting policies followed by the Home is summarized below:

Basis of Accounting - The Home utilizes the accrual basis of accounting and report accordingly.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Reclassifications - Certain amounts in the prior year presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

New Accounting Pronouncements - On January 1, 2019, the Home adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers ("ASC 606") applying the modified retrospective method. The adoption of ASC 606 did not have any impact on the Home's financial statements but did expand the Home's revenue recognition policy. The adoption also did not have an impact on the recognition of revenue of contracts, for which all revenues had not been recognized, as of January 1, 2019. Therefore, no cumulative adjustment has been made to the opening balance of retained earnings at the beginning of 2019.

Cash and Cash Equivalents - The Home considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consist primarily of amounts due from Medicare and Medicaid programs, private payors, and a variety of other third party payors, net of estimates for variable consideration. Accounts receivables are stated at the amount the Home expects to collect. The Home provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Home's estimate is based on historical collection experience and a review of the status of resident accounts receivable. It is reasonably possible that the Home's estimate of the allowance for doubtful accounts will change.

Investment Valuation and Income Recognition – Investments are recorded at fair value and are categorized based upon a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The categorization of financial instruments within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

(2) Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition (continued) – The hierarchy is prioritized into three level defined as follows:

Level 1 – Inputs are based on quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Inputs are other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly (i.e. – quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 – Inputs are unobservable inputs (i.e. – a company's own data) for the asset or liability and should be used to measure fair value to the extent that relevant observable inputs are not available.

Investments are carried at fair value, and realized and unrealized gains and losses are reflected within investment return, net of investment expenses, in the statement of activities. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from the sales of securities are included in earnings and are determined on a specific identification basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

On an annual basis, individual investments are reviewed for impairment to determine whether the fair value is less than its cost. If a decline in fair value is less than its cost, this impairment is assessed as either temporary or other-than-temporary. There were no temporary or other-than-temporary impairments recorded during the years ended December 31, 2020 and 2019, respectively.

Property and Equipment – Property and equipment is recorded at cost and includes expenditures for additions and improvements that extend the useful lives of the building and equipment. Expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal, the related costs and accumulated depreciation are reduced by the carrying amounts. Gains or losses on these transactions are included in income or expense as incurred. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Deferred Financing Fees – Deferred financing fees are recorded at cost and is comprised of mortgage related closing costs. Deferred financing fees are amortized using the straight-line method over the life of the mortgage. Deferred financing fees are presented in the balance sheet as a reduction of long-term debt.

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

(2) Summary of Significant Accounting Policies (continued)

Long-Lived Assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not to be recoverable. If the sum of the future cash flows (undiscounted and without interest charges) expected to result from the use of the intangible asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized to the extent the carrying amount of the asset exceeds its fair value.

Revenue Recognition - The Home's revenue is derived primarily from providing a living facility and services for the aged. Revenues are recognized when control of the promised services are provided to the residents at the amount that reflects the consideration to which the Home expects to be entitled from residents and third-party payors in exchange for providing resident living.

Performance obligations are determined based on the nature of the services provided. The resident agreement provides a home and services in exchange for a contractual agreed-upon amount or rate. Resident fees are treated as a single performance obligation satisfied over time as the resident resides in the home and receives services over time. As such, resident care services represent a bundle of services that are not capable of being distinct. Additionally, there may be ancillary services which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied over time, if and when those services are rendered.

Revenue recognized from resident fees are adjusted for estimates of variable consideration (implicit price concessions) to arrive at the transaction price. The Home determines the transaction price based on contractually agreed-upon amounts as determined by the Home, adjusted for estimates of variable consideration. The Home uses the expected value method in determining the variable component that should be used to arrive at the transaction price, using contractual agreements and historical collection experience within each payor type. The amount of variable consideration which is included in the transaction price may be constrained, and is included in net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. If actual amounts of consideration ultimately received differ from the Home's estimates, the Home adjusts these estimates, which would affect net resident revenues in the period such variances become known. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2020 and 2019.

The Home disaggregates revenue from contracts with its residents by payors to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Settlement with third party payors for retroactive adjustments due to audits and reviews are considered variable consideration and are included in the determination of the estimated transaction price. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Home's historical settlement activity. Any changes to these revenue estimates are recorded in the period the change or adjustment becomes known based on final settlement. The Home recorded adjustments to net resident revenues which were not material to the Home's revenue or financial statements for the years ended December 31, 2020 and 2019.

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

(2) Summary of Significant Accounting Policies (continued)

Net Assets - Net assets of the Home consist of the following:

Without Donor Restrictions - These net assets are available for general obligations of the Home.

With Donor Restrictions - These net assets are restricted by donors to be used for some specific purpose. Income and capital gains may or may not be used depending on the donor/endowment agreement.

Contributions and Pledges - Contributions and pledges are recorded as revenue when either unsolicited cash is received or the year in which the donors promise to give becomes due and collectible. Contributions and pledges are classified as either, unrestricted, temporarily restricted or permanently restricted revenue based upon donor-imposed restrictions. Pledges are recognized in the year in which they become due and collectible.

Fair Value of Financial Instruments – The fair value of current assets and liabilities approximate carrying value because of the short-term nature of these items. The recorded value of the mortgage payable approximates its fair value, as interest approximates market rates.

Federal Income Taxes - The Home is a Not-For-Profit Organization as described in Section 501 (c) (3) of the Internal Revenue Code (“IRC”) and is exempt from Federal income taxes pursuant to Section 501(a) of the IRC.

Accounting for Uncertainty in Income Taxes – The Home recognizes the effect of income tax position only if those positions are more likely than not to be sustained. Management has determined that the Home had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Home is no longer subject to examination by applicable taxing jurisdictions for periods prior to December 31, 2017.

Performance Indicator – The statement of activities and changes in net assets includes the caption change in net assets. For the years ended December 31, 2020 and 2019, there were no items excluded from the performance indicator.

Functional Allocation of Expenses – The financial statements report certain categories of expenses that are attributed to one or more program or supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel costs are allocated on the basis of staff estimates of time and effort. Costs identifiable to a particular function are directly charged to the program or supporting service. All other costs that are not charged directly to a program or supporting service are allocated based on the percentage of overall salary allocation.

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

- (3) **Liquidity and Availability of Resources** – The Home's financial assets for general expenditures, liabilities, and other obligations available within one year of the statement of financial position date are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 510,719	\$ 149,729
Accounts Receivable	9,046	12,684
Prepaid Expenses and Other Current Assets	<u>38,307</u>	<u>39,051</u>
Total	<u>\$ 558,072</u>	<u>\$ 201,464</u>

Liquidity Management - The Home maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

- (4) **Property and Equipment** – Property and Equipment consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Uniondale Land	\$ 3,361,972	\$ 3,361,972
Land, Buildings, and Improvements	4,823,895	4,819,813
Furniture and Equipment	695,756	693,995
Construction in Progress:		
Uniondale Building	4,116,008	4,116,008
Uniondale Startup Costs	<u>4,627,697</u>	<u>3,566,146</u>
Total at Cost	17,625,328	16,557,934
Less: Accumulated Depreciation	<u>(4,748,777)</u>	<u>(4,568,173)</u>
Property and Equipment - Net	<u>\$ 12,876,551</u>	<u>\$ 11,989,761</u>

Depreciation for the years ended December 31, 2020 and 2019 was \$180,604 and \$178,473, respectively.

- (5) **Beneficial Interest in Split-Interest Agreements** - The Home is a beneficiary of two charitable gift annuity agreements, Katherine Malta Trust (50.0% interest) and the Petsas Trust (11.11% interest), whereby the donors contributed assets to a third-party trustee and the income in certain instances is paid to beneficiaries over a specified period of time, or the beneficiaries received special distributions. In addition, certain trusts have a required minimum distribution to both the Home and others. Both trusts provide that a portion of the trust assets becomes available to the Home after a specified period of time. These accounts are restricted by donors and are included net assets with donor restrictions. The assets measured at fair value categorized by the fair value hierarchy (level 1) consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 10,192	\$ 5,370
Equity Securities	609,748	559,658
Fixed Income Securities	<u>19,370</u>	<u>34,709</u>
Total Beneficial Interest in Split-Interest Agreements	<u>\$ 639,310</u>	<u>\$ 599,737</u>

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

- (6) **Assets Whose Use is Limited** – The Home has various assets whose use are restricted by the donors to be used for the construction of the Uniondale expansion. These assets are restricted by donors and are included net assets with donor restrictions. The assets measured at fair value categorized by the fair value hierarchy (level 1) consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 7,908,701	\$ 7,895,218

- (7) **Mortgage Payable** – Mortgage payable consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Mortgage Payable	\$ 1,714,496	\$ 1,771,800
Less: Unamortized Debt Finance Fees	<u>(30,702)</u>	<u>(38,625)</u>
Total Mortgage Payable Less Unamortized Debt Finance Fees	1,683,794	1,733,175
Less: Current Maturities	<u>(58,913)</u>	<u>(56,431)</u>
Mortgage Payable - Long-term	<u>\$ 1,624,881</u>	<u>\$ 1,676,744</u>

On November 18, 2014, the Home obtained a mortgage from Alma Bank for the purchase of the Uniondale property with a principal of \$2,000,000. The mortgage is payable in 119 fixed monthly payments currently at \$16,173 (principal, interest, and escrow inclusive), at 4.25%, based upon a 25-year amortization period with a balloon payment at maturity. The Uniondale land and building are pledged as collateral on the mortgage. Capitalized interest for the years ended December 31, 2020 and 2019 was \$75,432 and \$77,116, respectively, and is included in property and equipment on the balance sheet as the building is not in service as of December 31, 2020 and 2019.

In connection with the mortgage, the Company incurred financing costs of \$79,230 which are being amortized over the life of the mortgage. Amortization of unamortized debt finance fees for the years ended December 31, 2020 and 2019 was \$7,923. Estimated amortization for each of the four succeeding years is \$7,923, \$7,923, \$7,923, and \$6,933, respectively.

Future maturities of the Mortgage Payable are as follows:

2021	\$ 58,913
2022	61,504
2023	64,209
2024	1,529,870
Thereafter	<u>-</u>
	<u>\$1,714,496</u>

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

- (8) **COVID-19 and Payroll Protection Program** – On March 27, 2020, the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief, and Economic Security “CARES” Act became law. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on payroll. PPP loans can be used to help fund payroll costs, including benefits, and may also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. PPP loans bear interest at 1.00% per annum. PPP loans issued before June 5, 2020 have a maturity of two years. PPP loans issued after June 5, 2020 have a maturity of five years. PPP loan payments are deferred for borrowers who apply for loan forgiveness as long as the borrower maintains employee and compensation levels; the loan proceeds are spent on payroll and other eligible expenses, and at least 60% of the loan proceeds are spent on payroll costs.

On April 27, 2020, the Home secured a PPP loan from Alma Bank with a principal amount of \$233,041. The Home followed the SBA guidelines and had this loan forgiven on November 25, 2020. Accordingly, the Home recorded a gain on the forgiveness of the PPP in the statement of activities income for the year ended December 31, 2020.

- (9) **Commitments and Contingencies**

Litigation – From time to time, the Home may be subject to legal proceedings arising out of the ordinary course of business. Although management cannot predict the outcome of such proceedings, management does not consider such proceedings to result in a material adverse effect on its financial position or its results of operations or its cash flows.

- (10) **Concentration of Credit Risk** – For the years ended December 31, 2020 and 2019, the Home had cash balances in major financial institutions which at times may have exceeded Federal Depository Insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these deposits is minimal.

- (11) **Subsequent Events** – Management of the Home has evaluated subsequent events through September 2, 2021, the date the financial statements were available to be issued. In March 2020, the World Health Organization declared COVID-19 a global pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Home’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Home is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Other than the matter noted above, no significant events have been identified that would require adjustment to or disclosure in the accompanying financial statements.

ST. MICHAEL'S HOME, INC.
(A Not-For-Profit Corporation)

SUPPLEMENTARY INFORMATION - STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2020 and 2019

Schedule I - Schedule of Functional Expenses

	<u>2020</u>	<u>2019</u>
Care of Residents Expenses		
Salaries	\$ 735,805	\$ 675,908
Employee Benefits	96,029	89,929
Payroll Taxes	58,054	55,209
Amortization Expense	7,131	7,131
Automobile Expense	1,408	1,793
Depreciation Expense	162,544	160,626
Food	192,240	182,336
Household Supplies	5,533	9,437
Insurance	67,213	68,192
Outside Services	13,723	12,338
Repairs and Maintenance	56,432	64,348
Resident Activities	3,235	10,034
Utilities	<u>57,673</u>	<u>59,118</u>
Total Care of Residents Expenses	<u>\$ 1,457,020</u>	<u>\$ 1,396,399</u>
General and Administrative Expenses		
Salaries	\$ 283,442	\$ 331,760
Employee Benefits	36,994	44,133
Payroll Taxes	22,364	27,094
Advertising	1,932	1,069
Amortization Expense	792	792
Bank Charges	65	120
Christmas Expense	1,848	2,901
Depreciation Expense	18,060	17,847
Equipment Rental	4,927	4,542
Household Supplies	615	1,049
Insurance	7,468	7,577
Office Expenses	21,506	20,893
Other	15,055	15,323
Payroll Services	8,766	8,062
Postage and Delivery	2,781	6,592
Professional Fees	22,981	25,026
Real Estate Taxes	2,700	3,333
Repairs and Maintenance	9,959	11,355
Utilities	<u>10,178</u>	<u>10,433</u>
Total General and Administrative Expenses	<u>\$ 472,433</u>	<u>\$ 539,901</u>

See Independent Auditors' Report

ST. MICHAEL'S HOME, INC.
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SUPPLEMENTARY INFORMATION - STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2020 and 2019

Schedule II - Schedule of Selected Non Operating Support

	<u>2020</u>	<u>2019</u>
Annual Dinner Dance Event		
Dinner Dance Income		
Journals	\$ 500	\$ 64,371
Raffles	200	24,520
Ticket Sales	75	50,015
Dinner Dance Donations	<u>-</u>	<u>51,060</u>
Total Dinner Dance Income	<u>775</u>	<u>189,966</u>
Dinner Dance Expenses		
Advertising	-	500
Printing	-	8,205
Raffle and Awards	-	4,706
Hotel Rental	-	43,949
Miscellaneous	<u>-</u>	<u>4,830</u>
Total Dinner Dance Expenses	<u>-</u>	<u>62,190</u>
Net Profit	<u>\$ 775</u>	<u>\$ 127,776</u>