

ABBATE DEMARINIS, LLP

Certified Public Accountants & Consultants

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

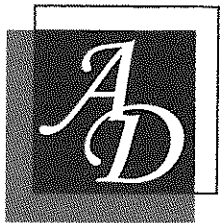
FINANCIAL STATEMENTS

**As of and for the Years Ended
December 31, 2013 and 2012**

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

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Michael's Home, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Michael's Home, Inc., as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Abbate Demarinis, LLP

CERTIFIED PUBLIC ACCOUNTANTS

September 15, 2014

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,889,183	\$ 623,950
Investments (Note 3)	-	1,894,295
Prepaid Insurance	60,797	50,178
Other Prepaid Expenses	63,933	45,289
Pledges Receivable – Club 1000	<u>3,000</u>	<u>3,000</u>
TOTAL CURRENT ASSETS	<u>2,016,913</u>	<u>2,616,712</u>
Fixed Assets - Net (Note 4)	2,714,455	2,055,909
Beneficial Interest in Split-Interest Agreements (Note 5)	582,320	518,947
Assets Whose Use is Limited (Note 6)	<u>2,107,047</u>	<u>1,452,790</u>
TOTAL ASSETS	<u>\$ 7,420,735</u>	<u>\$ 6,644,358</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	<u>\$ 93,825</u>	<u>\$ 98,910</u>
TOTAL CURRENT LIABILITIES	<u>93,825</u>	<u>98,910</u>
Commitments and Contingencies (Note 9)		
NET ASSETS		
Unrestricted	4,617,851	4,573,711
Temporarily Restricted (Note 7)	2,404,886	1,846,960
Permanently Restricted (Note 8)	<u>304,173</u>	<u>124,777</u>
TOTAL NET ASSETS	<u>7,326,910</u>	<u>6,545,448</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,420,735</u>	<u>\$ 6,644,358</u>

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

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2013 and 2012

	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:								
Revenue - Resident Fee Income	\$ 1,430,331	-	\$ -	\$ 1,430,331	\$ 1,494,686	-	\$ -	\$ 1,494,686
Expenses (Schedule I):								
Care of Residents	1,515,173	-	-	1,515,173	1,606,008	-	-	1,606,008
Administrative Expenses	559,897	-	-	559,897	590,005	-	-	590,005
Total Expenses	2,075,070	-	-	2,075,070	2,196,013	-	-	2,196,013
Net Operating Loss Before Non Operating Support	(644,739)	-	-	(644,739)	(701,327)	-	-	(701,327)
Non Operating Support:								
Contributions and Pledges	321,702	-	-	321,702	147,505	-	-	147,505
Bequests and Memorials	692,658	-	-	692,658	301,631	-	-	301,631
Holiday Appeals	107,417	-	-	107,417	179,039	-	-	179,039
Chapel Income	3,574	-	-	3,574	701	-	-	701
Dinner Dance Event - Net (Schedule II)	150,291	-	-	150,291	159,122	-	-	159,122
Investment Income	77,965	-	-	77,965	230,069	-	-	230,069
Pledges ~ Club 1000	5,000	-	-	5,000	2,000	-	-	2,000
Gain (Loss) on Beneficial Interest in Split-interest Agreements	-	57,710	5,663	63,373	-	-	4,206	4,206
Other Income	4,221	-	-	4,221	335	-	-	335
Total Non Operating Support	1,362,828	57,710	5,663	1,426,201	1,020,402	-	4,206	1,024,608
Increase in Net Assets	718,089	57,710	5,663	781,462	319,075	-	4,206	323,281
Net Assets - Beginning of Year	4,573,711	1,846,960	124,777	6,545,448	4,450,872	1,665,755	105,540	6,222,167
Adjustment to Re-allocate Restricted Assets from Unrestricted	(673,949)	500,216	173,733	-	(196,236)	181,205	15,031	-
Net Assets - End of Year	\$ 4,617,851	\$ 2,404,886	\$ 304,173	\$ 7,326,910	\$ 4,573,711	\$ 1,846,960	\$ 124,777	\$ 6,545,448

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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 781,462	\$ 323,281
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	192,802	191,056
Gain (Loss) on Beneficial Interest in Split-interest Agreements	(63,373)	(4,206)
(Increase) Decrease in Assets:		
Prepaid Insurance	(10,619)	19,560
Other Prepaid Expenses	(18,644)	(4,863)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(5,085)	(39,904)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>876,543</u>	<u>484,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Fixed Assets	(851,348)	(28,835)
(Increase) Decrease in Investments	1,894,295	(129,794)
Increase in Assets Whose Use is Limited	(654,257)	(196,238)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>388,690</u>	<u>(354,867)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,265,233	57,771
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>623,950</u>	<u>566,179</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,889,183</u>	<u>\$ 623,950</u>

The accompanying notes are an integral part of the 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, 2013 and 2012

- (1) **Organization and Nature of Activities** - 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 accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

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 prior period amounts have been reclassified to conform to the current year presentation.

Financial Statement Presentation - The classification of the Home's net assets and revenue and support is based on the existence or absence of donor-imposed restrictions. It requires that the amounts of each of the three classes of net assets (unrestricted, temporarily restricted and permanently restricted) be displayed in the accompanying statement of financial position and the amounts of change in each of those classes of net assets be displayed in the accompanying statement of activities. These net asset classes are defined as follows:

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

Investments - Investments are stated at fair value based upon quoted market prices (level 1), if available. Investment income is recognized when earned and is reported as an increase in unrestricted, temporarily restricted, or permanently restricted net assets. Gains and losses, both realized and unrealized are reported in the statement of activities as changes in unrestricted net assets unless their use is restricted, temporarily or permanently, by donor or law. Realized and unrealized losses on investments may be netted against realized and unrealized gains. Contributed investments are valued at their fair market value on the date received.

Fixed Assets - Fixed assets are recorded at cost and include expenditures for additions and improvements that extend the useful lives of the building and equipment. Fixed assets, if donated, are recorded at fair market value on the date of the gift. The Home capitalizes fixed assets of \$500 or more and which have a useful life of more than one year. 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. Fixed Assets is depreciated using the straight line method over their estimated useful lives

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

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2013 and 2012

(2) Summary of Significant Accounting Policies (continued)

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

Unrestricted - These net assets are those that have no restrictions and are available for general obligations of the Home.

Temporarily Restricted - These net assets are restricted by donors to be used for some specific purpose.

Permanently Restricted - These net assets are permanently restricted by donors and cannot be used by the Home. 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. The Home established Club 1000, whereby donors pledge \$1,000 annually for 5 years. Pledges are recognized in the year in which they become due and collectible.

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.

Fair Value of Instruments - The carrying values of cash and cash equivalents, prepaid insurance, other prepaid expenses, pledges receivable, and accounts payable and accrued expenses approximate their fair values based on their short-term nature.

(3) Investments - Investments consist of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ -	\$ 636,129
Equities and Fixed Income	-	<u>1,258,166</u>
	<u>\$ -</u>	<u>\$ 1,894,295</u>

ST. MICHAEL'S HOME, INC.
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NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2013 and 2012

- (4) **Fixed Assets** - Fixed assets consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Life</u>
Land, Buildings, and Improvements	\$4,742,195	\$4,732,091	10 - 40 years
Uniondale Acquisition	817,251	-	40 years
Furniture and Equipment	590,884	566,890	5 - 7 years
Transportation Equipment	38,250	38,250	5 years
Cemetery Plots	<u>1,500</u>	<u>1,500</u>	
Total at Cost	6,190,080	5,338,731	
Less: Accumulated Depreciation	<u>(3,475,625)</u>	<u>(3,282,822)</u>	
Fixed Assets - Net	<u>\$2,714,455</u>	<u>\$2,055,909</u>	

Depreciation for the years ended December 31, 2013 and 2012 was \$192,802 and \$191,056, respectively.

- (5) **Beneficial Interest in Split-Interest Agreements** - The Home is a beneficiary of two charitable gift annuity agreements 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 of these trust agreements provide that a portion of the trust assets becomes available to the Home after a specified period of time. The Home values such trusts at their fair market value. It is at least reasonably possible that such values could change in the future based upon market fluctuations.

The beneficial interest in split-interest agreements consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Katherine Malta Trust – 50% Interest	\$ 498,147	\$ 440,437
Petsas Trust – 11.11% Interest	<u>84,173</u>	<u>78,510</u>
	<u>\$ 582,320</u>	<u>\$ 518,947</u>

- (6) **Assets Whose Use is Limited** – Assets Whose Use is Limited consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Restricted Endowment Fund	\$ 200,307	\$ 46,267
Restricted Expansion Fund	<u>1,906,740</u>	<u>1,406,523</u>
	<u>\$ 2,107,047</u>	<u>\$ 1,452,790</u>

ST. MICHAEL'S HOME, INC.
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NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2013 and 2012

- (7) **Temporarily Restricted Net Assets** - The Home's temporarily restricted net assets consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
St. Michael's Home – Expansion Fund	\$ 1,906,739	\$ 1,406,523
Beneficial Interest in Katherine Malta Trust	<u>498,147</u>	<u>440,437</u>
	<u>\$ 2,404,886</u>	<u>\$ 1,846,960</u>

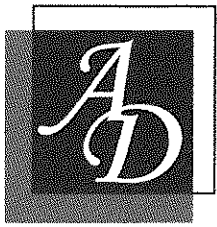
- (8) **Permanently Restricted Net Assets** – Donor restricted contributions held in perpetuity, the income of which is expendable for the general operations of the Home, consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
St. Michael's Home – Restricted Endowment Fund	\$ 220,000	\$ 46,267
Beneficial Interest in Petsas Trust	<u>84,173</u>	<u>78,510</u>
	<u>\$ 304,173</u>	<u>\$ 124,777</u>

- (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) **Subsequent Events** – Management of the Company has evaluated subsequent events through September 15, 2014, the date the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment to or disclosure in the accompanying financial statements.



ABBATE DEMARINIS, LLP
Certified Public Accountants & Consultants

Independent Auditors' Report on Supplementary Information

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

We have audited the financial statements of St. Michael's Home, Inc. as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated September 15, 2014, which contained an unqualified opinion on those financial statements. Our audits were performed 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.

Abbate Demarinis, LLP

CERTIFIED PUBLIC ACCOUNTANTS

September 15, 2014

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

SUPPLEMENTARY INFORMATION - STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

Schedule I - Schedule of Selected Expenses

	<u>2013</u>	<u>2012</u>
Care of Residents Expenses:		
Salaries	\$ 768,152	\$ 845,717
Employee Benefits	83,853	89,411
Payroll Taxes	64,281	71,038
Food	164,769	171,060
Outside Services	11,355	12,688
Resident Activities	6,186	5,739
Insurance	88,828	96,732
Utilities	66,808	68,126
Repairs and Maintenance	78,693	63,254
Household Supplies	3,141	1,395
Cleaning Service	3,675	4,075
Christmas Expense	441	1,219
Depreciation Expense	173,522	171,950
Automobile Expense	<u>1,469</u>	<u>3,604</u>
Total Care of Residents Expenses	<u>\$1,515,173</u>	<u>\$1,606,008</u>
General and Administrative Expenses:		
Salaries	\$ 352,224	\$ 344,096
Employee Benefits	38,449	36,379
Payroll Taxes	29,475	28,903
Insurance	9,870	10,748
Professional Fees	20,747	44,642
Utilities	11,790	12,022
Postage and Delivery	4,459	6,535
Repairs and Maintenance	13,887	11,162
Payroll Services	7,355	7,207
Household Supplies	349	155
Office Expenses	17,282	23,550
Investment Management Fees	6,228	17,653
Real Estate Taxes	3,629	3,581
Equipment Rental	3,789	2,878
Advertising	11,974	10,189
Depreciation Expense	19,280	19,106
Other	<u>9,110</u>	<u>11,199</u>
Total General and Administrative Expenses	<u>\$ 559,897</u>	<u>\$ 590,005</u>

See Independent Auditors' Report on Supplementary Information

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

SUPPLEMENTARY INFORMATION - STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

Schedule II - Schedule of Selected Non Operating Support

	<u>2013</u>	<u>2012</u>
Annual Dinner Dance Event		
Dinner Dance Income		
Journals	\$ 85,400	\$ 86,750
Raffles	29,270	28,470
Ticket Sales	77,300	52,483
Dinner Dance Donations	<u>37,325</u>	<u>72,175</u>
Total Dinner Dance Income	<u>\$229,295</u>	<u>\$239,878</u>
Dinner Dance Expenses		
Printing	\$ 21,993	\$ 25,608
Postage	-	870
Raffle and Awards	8,750	10,139
Entertainment	100	-
Hotel Rental	44,255	41,399
Miscellaneous	<u>3,906</u>	<u>2,740</u>
Total Dinner Dance Expenses	<u>79,004</u>	<u>80,756</u>
Net Profit	<u>\$150,291</u>	<u>\$159,122</u>