

**HOLY ANGELS, INC.  
(PARENT ORGANIZATION ONLY)**

**FINANCIAL STATEMENTS**

*As of and for the Years Ended June 30, 2021 and 2020*

*And Report of Independent Auditor*

**HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)**

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## Report of Independent Auditor

To the Board of Directors  
Holy Angels, Inc.  
Belmont, North Carolina

We have audited the accompanying financial statements of Holy Angels, Inc. (the “Organization”) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, 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 audits 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 Organization’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 Organization’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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holy Angels, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of Holy Angels, Inc. and Subsidiaries as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended (none of which are presented herein), and we expressed an unmodified opinion on those financial statements. Such financial statements are the general purpose financial statements of Holy Angels, Inc. and Subsidiaries and the financial statements of the parent company presented herein are not a valid substitute for those financial statements.

*Cherry Bekart LLP*

Charlotte, North Carolina  
November 16, 2021

**HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,044,990	\$ 1,231,719
Resident and other receivables, net	329,627	172,468
Government grant receivables	233,130	-
Supplies inventory	180,727	134,371
Resident trust asset	75,144	30,481
Prepaid expenses and other current assets	109,620	231,824
Total Current Assets	<u>4,973,238</u>	<u>1,800,863</u>
Property and equipment, net	<u>1,859,201</u>	<u>1,837,908</u>
<b>Total Assets</b>	<u><u>\$ 6,832,439</u></u>	<u><u>\$ 3,638,771</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 279,095	\$ 279,247
Accrued expenses and other liabilities	697,155	716,559
Resident trust liability	75,754	33,506
Small Business Administration Paycheck Protection Program deferred revenue	<u>-</u>	<u>1,699,000</u>
Total Current Liabilities	1,052,004	2,728,312
Net Assets Without Donor Restrictions	<u>5,780,435</u>	<u>910,459</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 6,832,439</u></u>	<u><u>\$ 3,638,771</u></u>

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

**HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)**  
**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenue, Gains, and Other Support:		
Net patient service revenue	\$ 6,221,869	\$ 4,643,611
Retail food and gift sales	414,715	538,074
Government grants	3,272,867	238,950
Catering and dietary revenue from related parties	135,057	120,224
Other revenue	<u>258,859</u>	<u>145,124</u>
Total Revenue, Gains, and Other Support	<u>10,303,367</u>	<u>5,685,983</u>
Expenses:		
Salaries and wages	5,297,927	5,495,126
Fringe benefits	960,202	970,515
Supplies	641,101	653,700
Occupancy	320,392	320,443
Repairs and maintenance	195,421	167,593
Depreciation	342,138	338,663
Contractual services	832,601	652,025
Other expenses	379,222	384,595
Corporate administrative expense reimbursement	<u>(1,514,706)</u>	<u>(1,220,226)</u>
Total Expenses	<u>7,454,298</u>	<u>7,762,434</u>
Change in net assets without donor restrictions prior to transfers	2,849,069	(2,076,451)
Net transfers of net assets without donor restrictions from affiliates	<u>2,020,907</u>	<u>1,471,477</u>
Change in net assets without donor restrictions	4,869,976	(604,974)
Net assets without donor restrictions, beginning of year	<u>910,459</u>	<u>1,515,433</u>
Net assets without donor restrictions, end of year	<u>\$ 5,780,435</u>	<u>\$ 910,459</u>

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

**HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2021

	Program Services				Total Program Services	Management and General	Total
	Residential Center	Outreach Services	Educational	Other Programs			
Salaries and wages	\$ 2,183,062	\$ 938,910	\$ 175,190	\$ 389,300	\$ 3,686,462	\$ 1,611,465	\$ 5,297,927
Fringe benefits	357,490	167,434	29,212	59,776	613,912	346,290	960,202
Supplies	308,539	262,361	4,317	31,287	606,504	34,597	641,101
Occupancy	132,326	162,825	-	4,104	299,255	21,137	320,392
Repairs and maintenance	18,138	91,657	-	1,396	111,191	84,230	195,421
Depreciation	160,262	105,643	-	14,067	279,972	62,166	342,138
Contractual services	182,597	90,426	32,065	4,469	309,557	523,044	832,601
Other expenses	141,875	92,534	3,636	22,230	260,275	118,947	379,222
Corporate administration expense reimbursement	(751,371)	(407,055)	(52,862)	(303,418)	(1,514,706)	-	(1,514,706)
	<u>\$ 2,732,918</u>	<u>\$ 1,504,735</u>	<u>\$ 191,558</u>	<u>\$ 223,211</u>	<u>\$ 4,652,422</u>	<u>\$ 2,801,876</u>	<u>\$ 7,454,298</u>

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

**HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2020

	Program Services				Total Program Services	Management and General	Total
	Residential Center	Outreach Services	Educational	Other Programs			
Salaries and wages	\$ 2,429,814	\$ 1,116,930	\$ 195,994	\$ 334,913	\$ 4,077,651	\$ 1,417,475	\$ 5,495,126
Fringe benefits	392,773	203,630	30,005	67,593	694,001	276,514	970,515
Supplies	289,892	311,320	2,650	41,825	645,687	8,013	653,700
Occupancy	143,209	150,551	-	4,968	298,728	21,715	320,443
Repairs and maintenance	16,142	66,389	-	12	82,543	85,050	167,593
Depreciation	158,105	107,117	-	14,067	279,289	59,374	338,663
Contractual services	163,491	113,044	267	12,454	289,256	362,769	652,025
Other expenses	115,899	105,115	4,066	15,859	240,939	143,656	384,595
Corporate administration expense reimbursement	(665,976)	(389,873)	(47,165)	(117,212)	(1,220,226)	-	(1,220,226)
	<u>\$ 3,043,349</u>	<u>\$ 1,784,223</u>	<u>\$ 185,817</u>	<u>\$ 374,479</u>	<u>\$ 5,387,868</u>	<u>\$ 2,374,566</u>	<u>\$ 7,762,434</u>

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

**HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets without donor restrictions	\$ 4,869,976	\$ (604,974)
Adjustments to reconcile change in net assets without donor restrictions to net cash flows from operating activities:		
Depreciation	342,138	338,663
Change in operating assets and liabilities:		
Resident and other receivables	(390,289)	346,819
Supplies inventory	(46,356)	(9,926)
Resident trust asset	(44,663)	25,420
Prepaid expenses and other current assets	122,204	(80,342)
Accounts payable	(152)	(138,801)
Accrued expenses	(19,404)	53,841
Resident trust liability	42,248	(22,395)
Deferred Revenue from Small Business Administration Paycheck Protection Program	(1,699,000)	1,699,000
Net cash flows from operating activities	<u>3,176,702</u>	<u>1,607,305</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(363,431)</u>	<u>(192,796)</u>
Net cash flows from investing activities	<u>(363,431)</u>	<u>(192,796)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from draw on line of credit	-	1,550,000
Payments on line of credit	-	(2,050,000)
Net cash flows from financing activities	<u>-</u>	<u>(500,000)</u>
Net change in cash and cash equivalents	2,813,271	914,509
Cash and cash equivalents, beginning of year	<u>1,231,719</u>	<u>317,210</u>
Cash and cash equivalents, end of year	<u>\$ 4,044,990</u>	<u>\$ 1,231,719</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 13,875</u>	<u>\$ 14,709</u>

# HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### **Note 1—Organization and summary of significant accounting policies**

*Organization* – Holy Angels, Inc. (the “Organization”) was incorporated on February 26, 1968 as a North Carolina nonprofit corporation. The Organization offers comprehensive care to individuals, primarily children with developmental disabilities. The primary service area of the Organization is located in and surrounding the counties of Gaston and Mecklenburg, North Carolina.

During the year ended June 30, 2021, the Organization formed Holy Angels Enterprises, LLC and HA-Hope Properties, LLC. Holy Angels Enterprises, LLC was formed to hold the retail food and gift sales of Spruced Goose Station, Cherubs Café, Cherubs Market, and the Bliss Gallery. HA-Hope Properties, LLC was formed to hold land donated to the Organization. Because these entities are wholly owned by the Organization, all financial activity is included in the financial statements of the Organization, and any intercompany balances or transactions are eliminated.

In addition, the Organization has two subsidiaries, Holy Angels Services, Inc. (“Services”) and Holy Angels Foundation, Inc. (“the Foundation”). The financial information for these subsidiaries is not included in these financial statements.

*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 (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and are currently available for use in the day-to-day operations of the Organization and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no net assets with donor restrictions at June 30, 2021 and 2020.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets with donor restrictions based on explicit donor stipulation or by law, or if no such restrictions exists, as net assets without donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from net assets with donor restrictions to net assets without donor restrictions.

*Use of Estimates* – The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents* – The Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

# HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### Note 1—Organization and summary of significant accounting policies (continued)

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. At June 30, 2021, the Organization had \$3,113,887 on deposit in excess of the insured limits.

*Resident and Other Receivables, Net* – Resident and other receivables are stated net of an allowance for doubtful accounts. Management's determination of the allowance for doubtful accounts is based on an evaluation of the receivable, past experience, current economic conditions, and other risks inherent in the receivables portfolio. Management determined the allowance for doubtful accounts as of June 30, 2021 and 2020 for resident receivables amounted to \$5,827.

Consistent with its mission to provide accessible care to physically and/or mentally challenged individuals residing within the surrounding counties of Gaston and Mecklenburg, North Carolina, credit is granted to qualifying individuals, some of which are covered under third party reimbursement agreements. As a result, the Organization's ability to collect these receivables is directly affected by economic conditions in this area and the areas to which the third party agreements are originated. As of June 30, 2021 and 2020, a majority of resident receivables were due from Partners Behavioral Health Management and other managed care organizations.

*Supplies Inventory* – Supplies inventory consist primarily of food and supplies and is stated at the lower of cost or net realizable value.

*Property and Equipment, Net* – Property and equipment are stated at cost net of accumulated depreciation. Donated property and equipment is stated at fair value on the date of donation. Depreciation on property and equipment is computed on the straight-line method over the useful lives of 10 to 50 years for buildings and improvements and 3 to 7 years for furniture, fixtures, and equipment. The costs of major improvements are capitalized while the costs of maintenance and repairs, which do not improve or extend the useful life of the respective asset, are expensed currently. The cost and accumulated depreciation of property and equipment are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the change in net assets of the Organization. Long-lived assets held and used by the Organization are reviewed for impairment whenever changes in circumstances indicate that the carrying value of an asset may not be recoverable.

*Revenue, Gains, and Other Support* – Net patient service revenue is recorded when patient services are performed at the estimated net realizable amounts from patients, third party payors, and others for services rendered. Differences between established billing rates and actual reimbursements are recorded as contractual adjustments to reduce patient service revenue. Final determinations of amounts due are subject to review by funding agencies. Changes resulting from final determinations are reflected as a change in estimate in the year of determination.

An additional portion of the Organization's revenues, gains, and other support is obtained through grants administered by various state and local agencies. The majority of these grants are considered purchased services grants, whereby the Organization provides goods or services to specifically identified recipients on behalf of the grantor. Grant revenue is recognized either on a pro rata basis over the terms of the grant or to the extent of expenses incurred. The method of revenue recognition is determined based on the terms of the grant.

*Income Taxes* – The Organization is exempt from federal income tax and applicable state statutes under the provisions of Section 501(c)(3) of the Internal Revenue Code. U.S. GAAP requires the Organization to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions and has concluded that as of June 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

# HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 1—Organization and summary of significant accounting policies (continued)

*Functional Allocation of Expenses* – The Organization allocates certain expenses, principally salaries and wages and related benefits, supplies, and facility costs, to program and management and general based on management’s estimates of the respective service’s personnel requirements, supplies and materials usage, and space and equipment utilization. Such allocations are determined by management on an equitable basis using primarily the time spent and resources used by personnel that perform the services. Direct identifiable costs are charged to programs and support services.

*Government Grants* – During the year ended June 30, 2021, the Organization received federal grants in connection with relief efforts related to the novel strain of coronavirus (“COVID-19”) pandemic. The Organization was deemed eligible for \$1,278,229 from the Employee Retention Credit (“ERC”). The Organization also recorded the receipt of the Paycheck Protection Program (“PPP”) loan deferred for the year ended June 30, 2020 as revenue for the year ended June 30, 2021. Each of these are included in government grants on the accompanying statement of activities. The ERC of \$233,130 is also reflected within the government grants receivable on the statement of financial position as of June 30, 2021.

*Recently Issued Accounting Pronouncements Adopted* – On May 28, 2014, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization retrospectively adopted the provisions of this standard during the year ended June 30, 2021. There was no material impact on the Organization’s financial position and results of operations upon adoption of the new standard.

*Recently Issued Accounting Pronouncements Not Yet Adopted* – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statements of activities. This standard will be effective for the Organization’s year ending June 30, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

### Note 2—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at June 30:

Financial assets at year-end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,044,990	\$ 1,231,719
Resident and other receivables, net	329,627	172,468
Total financial assets	<u>\$ 4,374,617</u>	<u>\$ 1,404,187</u>

**HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

**Note 2—Liquidity and availability of resources (continued)**

The Organization considers general expenditures to include program expenses, supporting services, and any other commitments or liabilities to be paid in the subsequent year. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Cash in excess of daily requirements is transferred to the Foundation, an affiliate of the Organization, and invested in short-term investments and money market funds.

**Note 3—Property and equipment, net**

Net property and equipment as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Property and equipment used in operations:		
Land and land improvements	\$ 413,842	\$ 413,842
Buildings and building improvements	4,469,747	4,303,952
Furniture and equipment	4,879,104	4,849,274
Construction in progress	102,651	30,565
Total	<u>9,865,344</u>	<u>9,597,633</u>
Less accumulated depreciation	<u>(8,006,143)</u>	<u>(7,759,725)</u>
Property and equipment, net	<u>\$ 1,859,201</u>	<u>\$ 1,837,908</u>

Depreciation expense amounted to \$342,138 and \$338,663 for the years ended June 30, 2021 and 2020, respectively.

**Note 4—Line of credit**

The Organization has a \$2,500,000 line of credit agreement with a financial institution. The line of credit accrues interest at a rate of one-month LIBOR plus 1.5% (1.60% and 1.67% as of June 30, 2021 and 2020, respectively) and matures on March 14, 2023. As of June 30, 2021 and 2020, there were no draws on the line of credit.

**Note 5—Small Business Administration Paycheck Protection Program and deferred revenue**

The Organization received a PPP loan in the amount of \$1,699,000 during the year ended June 30, 2020. The PPP loan is granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions under Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization did not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization had deferred recognition of grant revenue for the year ended June 30, 2020 because the conditions for forgiveness had not yet been substantially met. For the year ended June 30, 2021, the Organization determined that it had met all barriers for full loan forgiveness and has applied for and received full forgiveness of the PPP loan for the year ended June 30, 2021.

# HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### Note 6—Related party transactions

During the year ended June 30, 2021, the Organization entered into various transactions with its subsidiaries, Services and the Foundation. Net transfers of net assets from the Foundation were \$2,020,907 and \$1,471,477 for the years ended June 30 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, the Organization charged Services and the Foundation for corporate administrative expenses in the aggregate of \$1,514,706 and \$1,220,226, respectively. The Board of Directors of Holy Angels, Inc., as of June 30, 2021, approved a transfer of net assets, whereby all receivables from affiliated organizations would be eliminated at year-end.

From time to time, the Organization provides dietary and catering to Services in conjunction with their shared mission. During the years ended June 30, 2021 and 2020, the Organization recognized revenue of \$135,057 and \$120,224, respectively, which is included in the statements of activities as catering and dietary revenue from related parties.

The Sisters of Mercy of the Americas, South Central Community (the “South Central Community”) provides staffing and personnel services and the use of land to the Organization. Expenses recognized for services provided by representatives of the South Central Community totaled \$62,424 and \$59,569 for the years ended June 30, 2021 and 2020, respectively, and are recorded in salaries and wages and fringe benefits. Donated rent expense and income of \$51,966 to/from the South Central Community were recognized for the years ended June 30, 2021 and 2020 and are recorded in occupancy expenses and other revenue.

As disclosed in note 10, subsequent to June 30, 2021, the Organization renewed their in-kind ground lease with the South Central Community for a fixed term of 15 years with the option of 3 successive additional terms of 5 years.

### Note 7—Defined contribution pension plan

The Organization has a contributory retirement annuity plan covering substantially all of its employees. The Organization, at its discretion, contributes up to 5% of employees’ gross salary. Employees can contribute within a limit based on age and salary. Contributions to the plan for the years ended June 30, 2021 and 2020 amounted to \$109,340 and \$106,995, respectively.

### Note 8—Commitments and contingencies

In the ordinary course of business, the Organization may become a party to malpractice litigation. Currently, the Organization is not involved in any pending litigation; however, incidents occurring through June 30, 2021, including previous years, may result in the assertion of claims. Management believes these claims, if asserted, would be settled within the limits of insurance coverage. As of June 30, 2021, the Organization’s professional liability insurance coverage per occurrence was \$1,000,000, with coverage in the aggregate limited to \$3,000,000. In addition, the Organization has an umbrella policy with coverage in the aggregate limited to \$5,000,000.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient’s services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of fines and penalties, as well as repayments for patient services billed.

**HOLY ANGELS, INC. (PARENT ORGANIZATION ONLY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021 AND 2020*

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**Note 8—Commitments and contingencies (continued)**

During 2020, an outbreak of COVID-19 emerged globally. As a result of the spread of COVID-19 economic uncertainties have arisen, that could negatively impact the Organization's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

**Note 9—Operating leases**

The Organization has operating lease agreements with unrelated parties with payments ranging from \$1,200 to \$3,776 per month. As of June 30, 2021, the approximate future rental commitments are as follows:

**Years Ending June 30,**

2022	\$	79,619
2023		82,732
2024		79,969
2025		43,381
2026		22,475
		<u>308,176</u>
	\$	<u>308,176</u>

Total rent expense to unrelated parties for the years ended June 30, 2021 and 2020 amounted to \$76,991 and \$81,107, respectively.

During the year ended June 30, 2021, \$23,422 in lease payments were abated by a lessor due to the COVID-19 pandemic. These payments have been recognized as in-kind revenue and expense for the year ended June 30, 2021 and is included in other revenue and occupancy expenses, respectively, in the statement of activities.

**Note 10—Subsequent events**

The Organization has evaluated subsequent events through November 16, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2021, the Organization renewed its in-kind ground lease with the South Central Community for a fixed term of fifteen years with the option of three successive extensions of 5 years each. The annual lease payments begin at \$47,571 and escalates by the percentage increase in the Consumer Price Index ("CPI") on each anniversary of the effective date. Management anticipates that the lease payments will be forgiven and contributed to the Organization on an annual basis.