

**ST. MATTHEW'S HOUSE, INC.
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Activities and Changes in Net Assets.....	5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows.....	7-8
Notes to Consolidated Financial Statements	9-25

January 4, 2022

Board of Directors
St. Matthew's House, Inc. and Affiliates
Naples, Florida

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of St. Matthew's House, Inc. and Affiliates (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated 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 opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of St. Matthew's House, Inc. and Affiliates as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the St. Matthew's House, Inc. and Affiliates' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hill, Barth & King LLC

Certified Public Accountants

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS

<u>CURRENT ASSETS</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,038,366	\$ 4,011,716
Accounts receivable	100,667	153,219
Grants receivable	21,175	22,034
Investment in marketable securities - NOTE F	1,772,399	1,390,844
Inventory	530,844	523,552
Pledges receivable, net - current portion - NOTE E	33,206	318,349
Prepaid expenses	314,422	225,033
Beneficial interest in assets held by others - NOTE G	196,188	163,728
Other assets	319,808	70,542
TOTAL CURRENT ASSETS	8,327,075	6,879,017
 <u>PLEDGES RECEIVABLE, NET - LESS</u>		
<u>CURRENT PORTION - NOTE E</u>	29,073	358,949
 <u>PROPERTY AND EQUIPMENT, NET - NOTE H</u>		
TOTAL ASSETS	<u>\$ 47,438,150</u>	<u>\$ 41,020,509</u>

See accompanying notes to consolidated financial statements

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30, 2021 and 2020

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>	<u>2021</u>	<u>2020</u>
Accounts payable and accrued expenses	\$ 1,594,060	\$ 1,488,232
Resident's deposits	13,587	13,207
Refundable advances	1,021,175	0
Current portion of gift annuities payable - NOTES G AND I	75,249	73,298
Current portion of capital lease obligations - NOTE K	53,483	59,500
Current portion of long-term debt - NOTE L	170,054	118,460
TOTAL CURRENT LIABILITIES	<u>2,927,608</u>	<u>1,752,697</u>
 <u>LONG-TERM LIABILITIES</u>		
Gift annuities payable less current portion - NOTES G AND I	57,748	132,518
Capital lease obligations less current portion - NOTE K	28,665	82,242
Long-term debt less current portion - NOTE L	3,373,955	3,343,249
TOTAL LONG-TERM LIABILITIES	<u>3,460,368</u>	<u>3,558,009</u>
TOTAL LIABILITIES	<u>6,387,976</u>	<u>5,310,706</u>
 <u>NET ASSETS</u>		
Without donor restrictions:		
Undesignated	3,100,840	4,244,377
Designated by board - NOTE O	1,996,149	1,813,828
Invested in property and equipment	35,455,845	23,825,465
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>40,552,834</u>	<u>29,883,670</u>
With donor restrictions:		
Purpose restrictions - NOTE P	433,541	5,148,835
Time restricted for future periods - NOTE P	63,799	677,298
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>497,340</u>	<u>5,826,133</u>
TOTAL NET ASSETS	<u>41,050,174</u>	<u>35,709,803</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 47,438,150</u>	<u>\$ 41,020,509</u>

See accompanying notes to consolidated financial statements

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			2021	2020
SUPPORT				
Contributions - general	\$ 8,517,738	\$ 223,993	\$ 8,741,731	\$ 6,676,817
Contributions - capital campaigns	0	603,293	603,293	4,719,425
Grants - NOTE Q	3,105,092	1,507,604	4,612,696	340,497
In-kind contributions - NOTE D	11,330,815	0	11,330,815	8,214,367
Goods contributed for sale	5,186,178	0	5,186,178	4,986,963
Special events - net of related costs	546,053	0	546,053	474,664
TOTAL SUPPORT	28,685,876	2,334,890	31,020,766	25,412,733
REVENUE				
Thrift shop revenue	8,800,262	0	8,800,262	6,726,786
Less cost of goods sold	(5,365,712)	0	(5,365,712)	(4,986,963)
Fresh start café	261,247	0	261,247	103,982
Catering services	280,927	0	280,927	206,743
Rental income	487,603	0	487,603	654,160
Program services	342,844	0	342,844	537,041
Investment income	414,449	0	414,449	57,525
Other income	985,153	0	985,153	218,744
TOTAL REVENUE	6,206,773	0	6,206,773	3,518,018
Net assets released from restrictions	7,663,683	(7,663,683)	0	0
TOTAL SUPPORT AND REVENUE	42,556,332	(5,328,793)	37,227,539	28,930,751
EXPENSES				
Program services	19,745,559	0	19,745,559	13,820,904
Management and general	1,814,019	0	1,814,019	1,649,497
Fundraising	2,008,312	0	2,008,312	1,994,643
TOTAL OPERATING EXPENSES	23,567,890	0	23,567,890	17,465,044
Thrift shop, car wash, and cafes	7,216,370	0	7,216,370	5,690,571
Foundation	761	0	761	61
Properties	421,789	0	421,789	254,629
Oxbow Hospitality	679,464	0	679,464	682,977
Breeze of Calusa	894	0	894	1,664
TOTAL EXPENSES	31,887,168	0	31,887,168	24,094,946
CHANGES IN NET ASSETS	10,669,164	(5,328,793)	5,340,371	4,835,805
NET ASSETS				
Beginning of year	29,883,670	5,826,133	35,709,803	30,873,998
End of year	\$ 40,552,834	\$ 497,340	\$ 41,050,174	\$ 35,709,803

See accompanying notes to consolidated financial statements

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

(with summarized comparative totals for the year ended June 30, 2020)

PROGRAM SERVICES	SUPPORTING SERVICES					TOTALS			
	MANAGEMENT AND GENERAL	THRIFT SHOP, CAR WASH, AND CAFES	FUNDRAISING	FOUNDATION	PROPERTIES	OXBOW HOSPITALITY	BREEZE OF CALUSA	2021	2020
Advertising	\$ 159	\$	\$ 29,065	\$	\$	\$ 278	\$	\$ 38,865	\$ 31,100
Auto and travel	216,584		276,002			3,063		511,033	492,500
Bad debt expense	88,866							253,773	161,766
Computer and technology	97,192		2,071					266,321	227,990
Depreciation and amortization	218,128		55,908			5,326		824,877	954,826
Donated food and goods	16,461,783		132,127		179,622	14,649		16,461,783	12,833,634
Food and vending supplies	1,302,240							1,598,791	207,758
Interest	25,669		242,126			54,425		100,904	109,365
Marketing	7,380		68,280			128		456,145	438,213
Occupancy	780,026		11,724					2,199,740	2,112,273
Office expense	449,487		995,991		64,312	282,859		1,238,604	847,753
Other	3,640		536,530	61	73	15,161	510	382,963	126,670
Professional	94,482		355,155			15,053		562,046	295,215
Resident/client assistance	742,945		54,512	700	177,782	1,250	384	744,000	10,114,632
Salaries and benefits	4,622,690		1,055					11,613,036	\$ 29,081,909
	\$ 25,111,271	\$	4,455,824	\$	\$ 421,789	\$ 287,272	\$	\$ 37,252,880	
			\$ 2,008,312	\$	\$ 761	\$ 679,464	\$		
Less expenses included with revenues on the statement of activities									
Cost of goods sold	(5,365,712)		0		0	0	0	(5,365,712)	(4,986,963)
	\$ 19,745,559	\$	7,216,370	\$	\$ 761	\$ 679,464	\$	\$ 31,887,168	\$ 24,094,946
			\$ 2,008,312	\$					

Less expenses included with

revenues on the statement of activities

Cost of goods sold

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 5,340,371	\$ 4,835,805
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	824,877	954,826
Bad debt expense	253,773	161,766
In-kind donations	(375,410)	(646,308)
Forgiveness of Paycheck Protection Program Loan	(2,015,554)	0
Gain on disposition of property and equipment	0	(39,895)
Net appreciation on investments	(235,583)	(3,620)
Realized gain on sale of investments	(95,166)	(21,588)
Increase in value of beneficial interest in assets held by others	(32,460)	0
Change in allowance of uncollectible pledges receivable	0	(127,785)
Change in net present value discount on pledges receivable	(12,674)	(47,013)
(Increase) decrease in current assets:		
Accounts receivable	(38,779)	(161,501)
Pledges receivable	465,252	904,370
Grants receivable	859	(12,287)
Inventory	(7,292)	(301,112)
Prepaid expenses	(89,389)	(15,001)
Other assets	(249,266)	(44,357)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses, resident's deposits	106,208	465,976
Refundable advances	1,021,175	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,860,942</u>	<u>5,902,276</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(6,110,248)	(5,551,775)
Proceeds from sale of property and equipment	0	3,000
Purchase of investments	(944,198)	(1,257,423)
Proceeds from sale of investments	1,268,802	1,895,940
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,785,644)</u>	<u>(4,910,258)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Borrowing from line of credit	0	2,043,054
Payments on line of credit	0	(2,043,054)
Payments to beneficiaries of split interest agreement	(72,819)	(71,876)
Principal payments on long-term debt	(1,406,322)	(147,438)
Principal payments on capital lease obligations	(55,528)	(57,053)
Proceeds from issuance of long-term debt	3,486,022	2,123,314
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,951,353</u>	<u>1,846,947</u>

See accompanying notes to consolidated financial statements

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	\$ 4,011,716	\$ 1,172,751
End of year	<u><u>\$ 5,038,366</u></u>	<u><u>\$ 4,011,716</u></u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u><u>\$ 100,904</u></u>	<u><u>\$ 109,365</u></u>
<u>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Acquisition of equipment from issuance of notes payable	<u><u>\$ 0</u></u>	<u><u>\$ 107,760</u></u>

See accompanying notes to consolidated financial statements

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

St. Matthew's House, Inc. and Affiliates (collectively, the Organization) is comprised of St. Matthew's House, Inc. (SMH) and its affiliates under common control: St. Matthew's House Foundation, Inc. (SMH Foundation), SMH Properties of Southwest Florida, Inc. (SMH Properties), Oxbow Hospitality, Inc. (Oxbow), and Breeze at Calusa Property Owners' Association, Inc. (Calusa).

SMH, a nonprofit corporation, was formed in December 1988. The corporation is a faith-based, Christian organization that is organized and operated exclusively for charitable and religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 as amended, and within such purposes, specifically to provide and operate housing and shelter for the homeless, indigent and needy in Southwest Florida without regard to race, age, color, creed, gender or national origin; promote the general social welfare of the communities in which it serves by providing related facilities and social services such as consultation and referrals to those in need of temporary or emergency shelter; assist those who seek to end their addiction to drugs and alcohol; and share the love of God by word and deed and by other community services consistent with the tax-exempt purposes of the corporation and as deemed appropriate by the Board of Directors.

SMH operates 104-bed and 44-bed shelters in Naples and Immokalee, respectively. The operations of SMH also run the "Wolfe Apartments," a 46-unit transitional housing facility in Naples. These facilities operate men and women's recovery programs that offer temporary housing in a drug and alcohol-free community. Furthermore, the operations also support a feeding ministry that provides more than 500,000 hot meals and over 194,000 bags of groceries each year. SMH is supported primarily through its six operating thrift stores, donor contributions and grants, rent and program fees charged to residents, special events, a food catering operation, Lulu's kitchen, and a car wash and detailing center.

SMH Foundation, a nonprofit corporation, was formed in February 2006, and is wholly-owned by SMH. The corporation's primary purpose is to advance the mission of St. Matthew's House, Inc. In 2014, SMH Foundation began collecting donations in order to establish and administer a scholarship fund for clients going through SMH programs. In addition, a board-designated fund was set up in May 2014 to aid in carrying out the mission of SMH. As of June 30, 2021, the assets of this entity were transferred to SMH, which will continue the scholarship program.

SMH Properties, a nonprofit corporation, was formed in October 2011, and is wholly-owned by SMH. The corporation's primary purpose is to advance the mission of SMH. In May 2014, it purchased the Port Labelle Inn, a 47-room hotel located on approximately eight acres of land in Labelle, Florida, including meeting rooms and a restaurant. SMH Properties rents the building and the land to Oxbow.

Oxbow, a for-profit corporation, was formed in April 2014 and is wholly-owned by SMH. The corporation's primary purpose is to advance the mission of SMH. Oxbow rents the Port Labelle Inn from SMH Properties and operates the hotel as a conference and retreat center. Oxbow also leases one of its floors to SMH for the Justin's Place Recovery Program residents.

Calusa was formed in April 2014, and is wholly-owned by SMH. The corporation's primary purpose was intended to support the new development being established at Justin's Village, prior to SMH acquiring the property. SMH currently owns all land and residential real estate located at Justin's Village. The Breeze of Calusa Property Owner's Association was dissolved in July 2021.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of SMH, SMH Foundation, SMH Properties, Oxbow, and Calusa (collectively, the Organization), after elimination of intercompany accounts and transactions.

Basis of Accounting:

The accounts of the Organization are maintained, and the accompanying consolidated financial statements have been prepared, on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred. Revenues are recognized when earned and expenses are recorded when the obligation is incurred.

Adopted Accounting Pronouncements:

During the year ended June 30, 2021, the Organization adopted FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), as amended by ASU 2015-14, which supersedes or replaces nearly all revenue recognition guidance under US GAAP. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU 2014-09, as amended by ASU 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2019. The Organization adopted the requirements of Topic 606 as of July 1, 2020, utilizing the modified retrospective method of transition. The adoption did not have a material impact on the Organization's consolidated financial statements.

Recently Issued Accounting Pronouncements

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU is effective for annual reporting periods beginning after December 31, 2021. SMH is currently evaluating the guidance to determine the impact the standard will have on the financial statements.

Beneficial Interests in Assets Held by Others:

Beneficial interests in assets held by others are recorded at fair value. Interest income and market value change earned on the beneficial interest is recorded in the Organization's consolidated statements of activities and changes in net assets.

Income Taxes:

SMH, SMH Foundation, and SMH Properties are exempt from income taxes under the provisions of Internal Revenue Code (Code) Section 501 (c)(3) and are treated as other than a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for income taxes has been made in these consolidated financial statements.

Calusa is a homeowners association that is not exempt under the provisions of Code Section 501(c)(4) and has elected under the provisions of Code section 528 to receive certain tax benefits that, in effect, permit it to exclude its exempt function from its gross income. Accordingly, no provision for income taxes has been made in these consolidated financial statements.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued):

Oxbow is a for-profit Florida corporation. Current income taxes are based on the year's taxable income for federal and state income tax reporting purposes. Deferred income taxes, if any, are provided on timing differences in recognizing income for financial statement and tax purposes. As of June 30, 2021 and 2020, there are no deferred tax assets or liabilities and there is no current income tax payable.

The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. An Exempt Organization Business Income Tax Return (Form 990-T) is filed annually by the Organization.

Financial Statement Presentation:

The accompanying consolidated financial statements have been prepared in accordance with the reporting principles of nonprofit accounting.

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents:

For purposes of the consolidated statements of cash flows, the Organization considers all bank and similar deposits, demand accounts, money market funds, and short-term investments with a maturity of three months or less when acquired to be cash equivalents. The Organization maintains bank accounts with balances, which, at times, may exceed federally insured limits.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect on outstanding balances. The potential risk is limited to the amounts recorded in the consolidated financial statements. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based upon its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

In addition, management provides work waivers to certain residents with outstanding balances with related balances written off through a charge to program fees and a credit to accounts receivable.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable, Net:

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is to be received. Conditional promises to give are not included in support until such time as the conditions are substantially met.

Additionally, the Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventory:

Inventory consists of donated items received by the Organization for resale in its thrift shops and food donated by various corporations and individuals throughout Collier, Lee, Hendry and Glades counties to prevent hunger and homelessness. Purchased inventory is recorded at the lower of cost or net realizable value. The Organization's method for valuing its donated inventory varies depending on the nature, condition or quality of the donated items. Donated goods in the thrift shop stores are valued based on the costs associated with selling the goods. The inventory balance recorded at year end is the estimated fair market value of donated items on hand at the end of the year.

Investments:

Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received. Investment securities are reflected at market value, and realized and unrealized gains and losses are recognized as changes in net assets - without donor restrictions unless restricted by the donor, in which case the amounts are reflected as donor restrictions until expended according to the donors' stipulations.

Fair Value Measurements:

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

The fair value hierarchy consists of three levels of inputs used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying value amounts to their fair value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2021 and 2020.

Property and Equipment:

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or purchased and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method calculated over the estimated useful lives of 5 through 39 years. All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

Annuity Obligations:

The Organization is obligated under charitable gift annuity agreements. The obligations were calculated based on actuarial assumptions and the fair values at the dates of receipt. The Organization has recorded a gift annuity obligation equal to the present value of the total anticipated future payments to the beneficiaries. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of annuity obligations in the consolidated statements of activities and changes in net assets.

Contributions:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional Expenses:

The costs of providing program and support services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The expenses that are charged directly to program or support services are based on management's estimate of resources expended.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. In the June 30, 2020 consolidated financial statements, the in-kind contribution for goods contributed for sale were reported in the Consolidated Statements of Activities and Changes in Net Assets net of cost of goods sold. Such reclassifications had no effect on changes in net assets.

NOTE B - LIQUIDITY AND AVAILABILITY

The Organization routinely monitors liquidity to meet its operating needs and other contractual commitments. The Organization considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures, the Organization operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization's financial assets that are available within one year of the consolidated statements of financial position date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents less portion designated for capital additions	\$ 3,595,418	\$ 3,074,941
Accounts receivable	100,667	153,219
Investment in marketable securities	1,772,399	1,390,844
Pledges receivable - current portion less portion restricted for capital additions	12,032	297,294
TOTAL CURRENT ASSETS AVAILABLE FOR GENERAL USE	<u>\$ 5,480,516</u>	<u>\$ 4,916,298</u>

The cash and cash equivalents at June 30, 2021 and 2020 include approximately \$1,443,000 and \$937,000, of cash designated for capital additions, respectively.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE C - DONATED LAND AND BUILDING AND DEED RESTRICTIONS

During the year ended June 30, 2012, the Organization received a donation of land in Naples. The donated property was valued at approximately \$2.0 million.

During the year ended June 30, 2013, the Organization received a donation of land and building in Naples. The donated property was valued at approximately \$6.0 million.

During the year ended June 30, 2014, the Organization received a donation of land and building in LaBelle. The donated property was valued at approximately \$2.35 million. Both the Organization and the donor agreed to naming rights for the property.

During the year ended June 30, 2017, the Organization received a donation of land and building in Naples. The donated property was valued at approximately \$3.1 million. The donated property had an outstanding mortgage, for which another donor donated the funds to enable the Organization to pay off the mortgage. Both the Organization and the donor agreed to naming rights for the property.

During the year ended June 30, 2018, the Organization received a donation of land and building in Fort Myers. The donated property was valued at approximately \$1.0 million.

During the year ended June 30, 2018, the Organization acknowledged a previously received donation to satisfy the mortgage of land and building in Naples. The donation amount was \$250,000. Both the Organization and the donor agreed to naming rights for the property.

During the year ended June 30, 2019, the Organization received a donation of land and buildings in Naples. The donated property was valued at approximately \$4.0 million. Both the Organization and the donor agreed to naming rights for the property.

During the year ended June 30, 2020, the Organization received a donation for construction of a building in Naples. The donated property was valued at approximately \$3.0 million.

In conjunction with these donations, the donor requested that deed restrictions be placed upon the properties. The board of directors and management agreed to these deed restrictions. The restrictions are as such: the Organization cannot abandon the property from its intended use for more than 30 days; cannot attempt to sell or mortgage the property; cannot discontinue its present mission; cannot fail to timely correct within 30 days of notice from the donor for a failure of adherence to the terms of the agreement; cannot be dissolved under state law. If the restrictions are violated, then the Organization must transfer the property to another charity as designated by the donor. Management believes the restrictions imposed are not contrary to the Organization's mission, and has a high level of confidence that such restrictions have a very low probability of being violated.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE D - DONATED SERVICES AND NONFINANCIAL ASSETS

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its program services, thrift shop, and fundraising campaigns. No dollar value has been assigned to these contributions because the criteria for recognition of such volunteer efforts have not been satisfied and, therefore, these contributions are not reflected in the accompanying consolidated financial statements. During the years ended June 30, 2021 and 2020, the Organization received approximately 33,000 and 43,500 volunteer hours, respectively. In-kind contributions include contributed services that are considered specialized and that the Organization would have purchased if not donated; therefore, meeting the criteria for recognition. For the years ended June 30, 2021 and 2020, donated services were valued at \$54,261 and \$62,446, respectively.

The Organization also receives donated food pantry items from the food banks and the community to assist in the Organization's program services. The method of calculating the value of the donated items is to take U.S. Department of Agriculture's average of most expensive vegetables and least expensive vegetables (\$2.74 per pound in 2021 and \$2.29 per pound in 2020) and multiplying it by the pounds of donated food. During the years ended June 30, 2021 and 2020, the Organization received approximately 4,193,228 and 3,182,767 pounds of food pantry items, respectively.

The Organization also receives donated goods for sale from the community to assist in the Organization's program services. These donated goods are recorded in support in the accompanying consolidated statements based on the costs associated with selling the donated material. During the years ended June 30, 2021 and 2020, the Organization received \$5,186,178 and \$4,986,963 in goods sold in the thrift store.

NOTE E - PLEDGES RECEIVABLE, NET

Pledges receivable, net, at June 30, 2021 and 2020 are reflected at present value of estimated cash flows using a discount rate of 2.71% and 1.31% for 2021 and 2020, respectively, as follows:

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$ 418,436	\$ 883,688
Less: discount to net present value	(1,521)	(14,195)
Less: allowance for doubtful accounts	(354,636)	(192,195)
TOTAL PLEDGES RECEIVABLE, NET	<u>\$ 62,279</u>	<u>\$ 677,298</u>

Pledges receivable, net are scheduled to be received as follows at June 30:

	<u>2021</u>	<u>2020</u>
1 year or less	\$ 12,032	\$ 297,294
2 to 5 years	406,404	586,394
TOTAL PLEDGES RECEIVABLE	<u>\$ 418,436</u>	<u>\$ 883,688</u>

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE F - INVESTMENTS

Investments are comprised of the following at June 30:

		2021	
		Cost	Market
Equity securities		\$ 1,018,516	\$ 1,387,356
Fixed income securities		374,585	385,043
TOTAL INVESTMENTS		\$ 1,393,101	\$ 1,772,399

		2020	
		Cost	Market
Equity securities		\$ 885,201	\$ 1,008,159
Fixed income securities		365,720	382,685
TOTAL INVESTMENTS		\$ 1,250,921	\$ 1,390,844

Investment earnings for the years ended June 30, 2021 and 2020 were comprised of:

	2021	2020
Unrealized gain on investments	\$ 268,461	\$ 4,020
Realized gain on investments	114,290	28,097
Interest and dividend earnings	48,243	39,462
Investment expenses	(16,545)	(14,054)
TOTAL INVESTMENT INCOME	\$ 414,449	\$ 57,525

NOTE G - FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures.

The beneficial interest in assets held by others consists of funds transferred from the Organization to the Community Foundation of Collier County for investment purposes. The Community Foundation of Collier County holds variance power over the funds and is holding the funds for the benefit of the Organization. Future benefits of these funds remain on the books of the Organization as the funds were originally donated to the Organization.

These funds are measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period, provided by Community Foundation of Collier County.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of June 30, 2021 and 2020:

		2021			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments:					
Equity securities		\$ 1,387,356	\$ 0	\$ 0	\$ 1,387,356
Fixed income securities		0	385,043	0	385,043
Beneficial interest in assets held by others		0	0	196,188	196,188
TOTAL		<u>\$ 1,387,356</u>	<u>\$ 385,043</u>	<u>\$ 196,188</u>	<u>\$ 1,968,587</u>
Liabilities:					
Annuity obligations		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 132,997</u>	<u>\$ 132,997</u>
		2020			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments:					
Equity securities		\$ 1,008,159	\$ 0	\$ 0	\$ 1,008,159
Fixed income securities		0	382,685	0	382,685
Beneficial interest in assets held by others		0	0	163,728	163,728
TOTAL		<u>\$ 1,008,159</u>	<u>\$ 382,685</u>	<u>\$ 163,728</u>	<u>\$ 1,554,572</u>
Liabilities:					
Annuity obligations		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 205,816</u>	<u>\$ 205,816</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	2021	2020
Balance - beginning of year	<u>\$ 163,728</u>	\$ 155,340
Change in value of beneficial interest agreement	<u>32,460</u>	8,388
Balance - end of year	<u>\$ 196,188</u>	<u>\$ 163,728</u>

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE H - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2021 and 2020, consists of the following:

	2021	2020
Buildings	\$24,684,166	\$ 18,353,431
Land	11,991,642	11,681,642
Equipment and furniture	2,833,914	2,216,836
Vehicles	834,361	814,561
Leasehold improvements	6,437,764	3,327,878
Construction in progress	1,133,343	5,413,348
	47,915,190	41,807,696
Less accumulated depreciation and amortization	8,833,188	8,025,153
NET PROPERTY AND EQUIPMENT	<u>\$39,082,002</u>	<u>\$ 33,782,543</u>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$824,877 and \$954,826 respectively.

NOTE I - ANNUITY OBLIGATION

The Organization received a property donation in exchange for an irrevocable gift annuity. The annuity agreements provide that the Organization will pay the annuitant an amount each year based on the established life expectancy of the donor. The recorded annuity obligation at June 30, 2021 and 2020, of \$132,997 and \$205,816, represents the present value of future cash flows expected to be paid to the donor, respectively. Payments to the beneficiary for the years ended June 30, 2021 and 2020 totaled \$73,296 and \$71,876, respectively. Subsequent to the year end, the annuitant passed away ending the Organization's annuity obligation.

NOTE J - LINE OF CREDIT

As of June 30, 2021 and 2020, the Organization has a line of credit in the amount of \$2,500,000, due on demand and collateralized by all business assets, carrying a fixed interest rate of 3.00% and 4.61%, respectively. The Organization did not have a balance on the line of credit at June 30, 2021 and 2020.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE K - CAPITAL LEASE OBLIGATIONS

Capital lease obligations as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Capital lease obligation, maturing May 2021		
monthly payments of \$475	\$ 0	\$ 5,271
Capital lease obligation, maturing March 2022		
monthly payments of \$1,166	10,498	24,494
Capital lease obligation, maturing June 2022		
monthly payments of \$1,395	15,612	30,919
Capital lease obligation, maturing October 2022		
monthly payments of \$416	6,503	11,204
Capital lease obligation, maturing July 2023		
monthly payments of \$928	21,995	31,760
Capital lease obligation, maturing October 2022		
monthly payments of \$683	16,193	23,383
Capital lease obligation, maturing September 2023		
monthly payments of \$450	11,347	15,921
TOTAL CAPITAL LEASES	<u>\$ 82,148</u>	<u>\$ 142,952</u>

Minimum future lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 55,572
2023	27,800
2024	2,963
Total minimum lease payments	86,335
Less: amount representing interest	4,187
Capital lease obligation	<u>\$ 82,148</u>

The equipment is recorded in property and equipment at June 30, 2021 and 2020 at \$291,434, with accumulated depreciation of \$187,761 and \$135,706, respectively.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE L - LONG-TERM DEBT

Long-term debt as of June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to financial institution, secured by equipment, monthly payments of \$9,032, stated interest at 3.15%, maturing in May 2036.	\$ 1,284,522	\$ 0
Note payable to financial institution, secured by real and personal property, interest only payments until January 2022, then monthly payments of \$12,727, stated interest at 3.00%, maturing in December 2025.	2,201,500	0
Note payable to financial institution, secured by equipment, monthly payments of \$2,727, stated interest at 9.869%, maturing in August 2022.	33,558	61,622
Note payable to financial institution, secured by equipment, quarterly payments of \$7,517, stated interest at 5.40%, maturing in August 2023.	56,709	82,905
Mortgage notes payable to financial institution, secured by land, building, and assignment of leases and rents, monthly payments of principal and interest at 3.15%	0	1,350,750
SBA Paycheck Protection Program note payable to financial institution, stated interest at 1%	0	2,015,554
	3,576,289	3,510,831
Less unamortized debt issuance costs	32,280	49,122
	3,544,009	3,461,709
Less current maturities	170,054	118,460
TOTAL LONG-TERM DEBT	\$ 3,373,955	\$ 3,343,249

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE L - LONG-TERM DEBT (CONTINUED)

Aggregate future principal payments on long-term debt are due as follows at June 30, 2021:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 170,054
2023	190,663
2024	163,603
2025	75,206
2026	174,360
Thereafter	2,802,403
TOTAL	<u>\$ 3,576,289</u>

Interest expense for the years ended June 30, 2021 and 2020 totaled \$100,904 and \$109,365, respectively.

The notes payable to the financial institutions are subject to certain covenants as defined in the loan agreements. Management has obtained a waiver for the covenants as of June 30, 2021.

NOTE M - DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization has a 401(k) plan eligible for all employees, regardless of years of service, who are at least 18 years of age. The plan allows eligible employees to elect to defer up to 25% of the employee's compensation, with matching contributions made by the Organization. The Organization presently matches 6% of eligible employee compensation.

The 401(k) contribution expense was \$138,926 and \$104,208 for the years ended June 30, 2021 and 2020, respectively.

NOTE N - RELATED PARTY TRANSACTIONS

As of June 30, 2021 and 2020, the Organization had \$30,000 and \$101,275, respectively, of pledges receivable, net, due from board members and employees of the Organization.

NOTE O - DESIGNATED NET ASSETS

Designated net assets consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Board - designated net assets for St. Matthew's House Operations	\$ 1,996,149	\$ 1,583,818
Board - designated for SMH Foundation	0	230,010
TOTAL DESIGNATED NET ASSETS	<u>\$ 1,996,149</u>	<u>\$ 1,813,828</u>

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE P - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods. Net assets with donor restrictions consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Subject to passage of time:		
For periods after June 30, 2021		
unconditional promises to give, net	\$ 63,799	\$ 677,298
Subject to expenditure for specific purpose:		
Capital campaign	220,614	4,261,545
Main shelter capital campaign	0	624,509
Women's recovery	36,451	24,710
Shelters	26,726	94,200
Scott's Garden	75,000	75,000
Other small purposes	74,750	68,871
TOTAL SUBJECT TO EXPENDITURE	<u>433,541</u>	<u>5,148,835</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 497,340</u>	<u>\$ 5,826,133</u>

Net assets with donor restrictions released from donor-imposed restrictions for the years ended June 30, 2021 and 2020 totaled \$7,663,683 and \$987,998, respectively.

NOTE Q - GRANT REVENUE

During the years ended June 30, 2021 and 2020, the Organization recognized grant revenue for the following purposes:

	<u>2021</u>	<u>2020</u>
Operating grants	\$ 956,531	\$ 203,714
Supporting housing grants	50,048	89,000
Child nutrition	32,235	47,783
Paycheck Protection Program	2,015,554	0
COVID-19 grants	1,558,328	0
TOTALS	<u>\$ 4,612,696</u>	<u>\$ 340,497</u>

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE R - COMMITMENTS AND CONTINGENCIES

The Organization has entered into certain noncancelable operating leases for building and equipment rentals. The future minimum lease payments under these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 279,229
2023	154,391
2024	136,357
2025	136,287
2026	132,016
Thereafter	72,746
TOTAL LEASE COMMITMENTS	\$ 911,026

Lease expense for the years ended June 30, 2021 and 2020 totaled \$373,355 and \$164,332, respectively.

NOTE S - COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, and it unfortunately continues to spread. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, have been severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. On April 1st, 2020 Gov. Ron DeSantis ordered all Floridians to stay at home, to lock down the state in the fight against the coronavirus. Social Enterprises (Thrift Stores, Café's, Catering, Fund Raising events) were closed from approximately April to May 2020, and many events were cancelled due to COVID-19. Additional costs associated with COVID-19 include the purchase of personal protective equipment and doing a "deep clean" across all of the SMH's facilities.

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 Organization'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 Organization is not able to estimate the effects of the COVID-19 outbreak on its future results of operations, financial condition, or liquidity.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE T - SUBSEQUENT EVENTS

Management evaluated all activity of the Organization through January 4, 2022, the date the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements or notes, except as noted in Notes H, I and below.

During the year ended June 30, 2021, SMH decided to purchase a warehouse to store food donations and facilitate its distribution to the community. A private grant of \$1,000,000 was received but deferred because the grant terms required purchase of a suitable warehouse facility. SMH finalized the warehouse purchase in November 2021, at a cost of approximately \$2,000,000. Additional funding was provided by new bank financing of \$1,000,000 with stated interest of 3.5%, payable in monthly payments of \$5,033 and a balloon payment of \$706,857, and maturing in November 2031.