### **AoA Properties Holding, Inc.**

#### **FINANCIAL STATEMENTS**

June 30, 2020 and 2019



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#### INDEPENDENT AUDITORS' REPORT

His Excellency The Most Reverend Archbishop of Atlanta Atlanta, Georgia

We have audited the accompanying financial statements of AoA Properties Holding, Inc. (Properties), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

#### **Auditors' 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 of 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 auditors' 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 auditors consider internal control relevant to Properties' 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 Properties' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

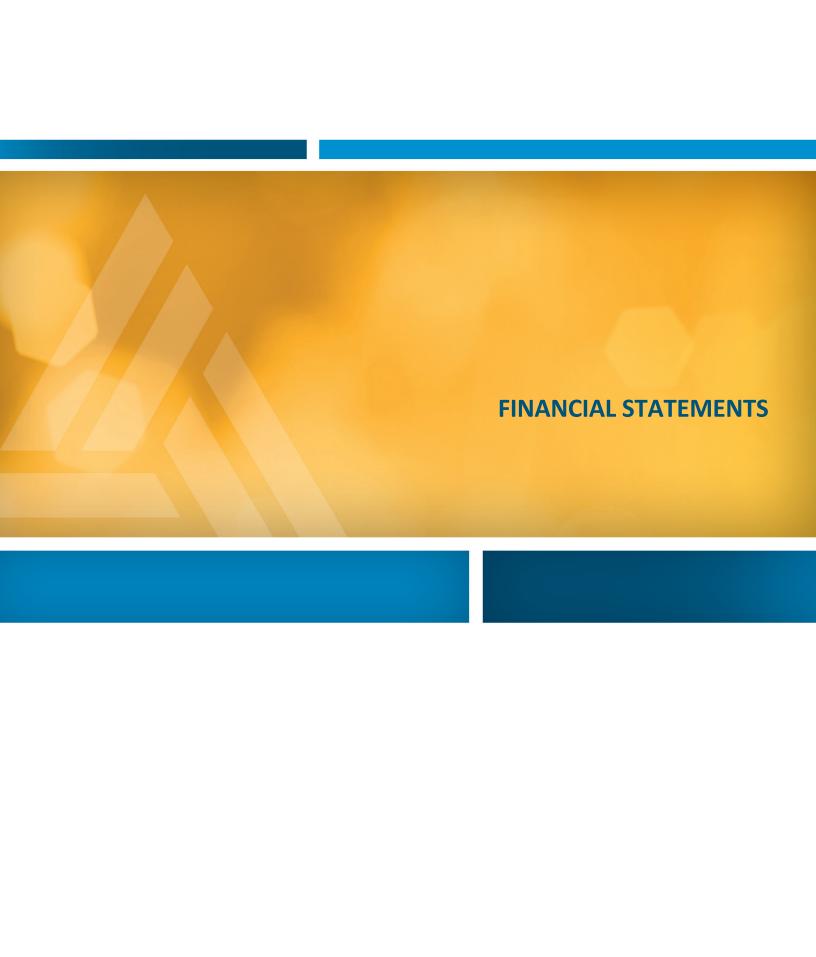
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Properties as of June 30, 2020 and 2019, 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.

Atlanta, Georgia February 4, 2021

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### AoA Properties Holding, Inc. Statements of Financial Position

June 30,	2020	2019
Assets		
Property and equipment, net	¢10.060.276	¢10.42E.1E0
Property and equipment, het	\$19,960,376	\$19,425,159
Assets held for sale	251,625	761,400
	231,023	701,100
Due from related parties	687,900	_
<u>Total assets</u>	\$20,899,901	\$20,186,559
Liabilities and Net Assets		
Accounts payable	\$ 241,151	\$ 616,151
Accounts payable	3 241,131	\$ 010,131
Note payable, AoA Deposit and Loan Fund Trust	2,000,000	_
	_,000,000	
Due to related parties	-	116,147
Total liabilities	2,241,151	732,298
Net Assets Without Donor Restrictions		
Undesignated	18,658,750	19,454,261
Total net assets without donor restrictions	18,658,750	19,454,261
	4	
Total liabilities and net assets	\$20,899,901	\$20,186,559

# AoA Properties Holding, Inc. Statements of Activities and Changes in Net Assets

For the years ended June 30,		2020	20	)19
Revenue				
Rental income	\$	39,600	\$	-
Total revenue		39,600		-
Expenses				
Program services General and administrative		780,774 276	513,	019
Total expenses		781,050	513,	019
Change in net assets before other gains(losses)		(741,450)	(513,	019)
Loss on disposal of property		(54,061)	(5,	.393)
Change in net assets		(795,511)	(518,	412)
Net assets transfers from related parties		-	5,607,	162
Net assets without donor restrictions at beginning of year	19	9,454,261	14,365,	511
Net assets without donor restrictions at end of year	\$18	3,658,750	\$19,454,	.261

# AoA Properties Holding, Inc. Statements of Functional Expenses

For the year ended June 30, 2020

	Program General and Services Administrative	Total
Depreciation Miscellaneous	\$ 780,774 \$   - \$ -     276	780,774 276
Total expenses	\$ 780,774 \$ 276 \$	781,050

# AoA Properties Holding, Inc. Statements of Functional Expenses (Continued)

For the year ended June 30, 2019

	Program Services	ral and strative	Total
Depreciation	\$ 513,019	\$ _	\$ 513,019
Total expenses	\$ 513,019	\$ _	\$ 513,019

### AoA Properties Holding, Inc. Statements of Cash Flows

For the years ended June 30,	2020		2019
Operating activities Change in net assets Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	\$ (795,511	) \$	(518,412)
Depreciation	780,774		513,019
Loss on disposal of property	54,061		5,393
Net cash provided by (used in) operating activities	39,324		-
Investing activities			
Purchases of property and equipment	(1,315,991	)	-
Payments for assets held for sale	(5,211		-
Proceeds from sale of assets held for sale	85,925	ı	
Net cash provided by (used in) investing activities	(1,235,277	)	-
Financing activities			
Proceeds from note payable, AoA Deposit and Loan Fund Trust	2,000,000	)	_
Net advances (to) from related parties	(804,047		-
Net cash provided by (used in) financing activities	1,195,953		
Net change in cash and cash equivalents	-		-
Cash and cash equivalents at beginning of year	-	•	
Cash and cash equivalents at end of year	\$ -	\$	
Supplemental cash flow information  Non-cash investing and financing activities during the years ended are as follows:	June 30, 2020 an	d 201	.9,
Other assets transferred from related party	\$ -	\$	136,400
Reduction of due to related parties	\$ -	\$ :	3,101,329
Property and equipment, net transferred from related party	\$ -	\$ :	2,369,433
Write-down of assets held for resale and corresponding liability	\$ 375,000	\$	

### AoA Properties Holding, Inc. Notes to Financial Statements

#### **Note 1: DESCRIPTION OF THE ORGANIZATION**

The accompanying financial statements include the accounts and transactions of AoA Properties Holding, Inc. (Properties) which is a Georgia nonprofit corporation with one member which has been granted exempt status under Section 501(c)3 of the Internal Revenue Code.

The Archbishop (Archbishop) of the Roman Catholic Archdiocese of Atlanta (Archdiocese) is the sole member of the corporation and exercises control over Properties by appointing and approving the Board of Directors.

Properties was established on July 18, 2007, to support the Archdiocese by carrying on activities that benefit the Archdiocese.

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

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). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### **Use of Estimates**

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

#### **Property and Equipment**

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Land	Not depreciated
Land improvements	20
Building	20-50
Furniture and equipment	5-10
Construction in progress	Not depreciated

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Assets Held for Sale**

Assets held for sale, total \$251,625 and \$761,400 as of June 30, 2020 and 2019, respectively. Assets held for sale represent assets acquired either through purchase of the underlying asset by Properties or through donation made to Properties. Assets held for sale are either recorded at historical cost, if purchased by Properties, or fair value if donated. Subsequently, assets held for sale are recorded at the lesser of historical cost or net realizable value.

During the year ended June 30, 2020, an asset held for sale at a total cost of approximately \$140,000 was sold for approximately \$86,000 resulting in a loss on sale of asset of \$54,000.

#### **Long-lived Assets**

Properties reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset are less than its carrying amount, an impairment loss is recognized. Long-lived assets and certain intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Certain assets held for sale were evaluated and deemed impaired during the year ended June 30, 2020, resulting in a reduction in assets held for sale and the corresponding liability in accounts payable in the amount of \$375,000. There were no adjustments for impairment during the year ended June 30, 2019.

#### **Net Assets**

Properties reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of Properties, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

There were no net assets with donor restrictions at June 30, 2020 and 2019.

#### Revenue Recognition

Rental revenue is recognized on the straight-line basis over the contracted period of the lease agreement (Note 5) in accordance with the provisions of FASB ASC Topic 840, *Leases* (ASC 840). Rent is due monthly from the lessee.

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Functional Allocation of Expenses**

Directly identifiable expenses are charged to programs and supporting services. Other expenses that are common to several functions are allocated based on estimates of asset usage.

#### **Income Taxes**

Properties is a religious organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements. Income from certain activities not directly related to the tax-exempt purpose of nonprofit entities is subject to taxation as unrelated business income. Properties considers all of its activities to be directly related to its exempt purpose in 2020 and 2019.

#### Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 4, 2021, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of 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. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. Effective July 1, 2019, Properties adopted ASC 606 using the modified retrospective method. No cumulative adjustment was necessary in order to conform with ASC 606, therefore, the 2019 financial statements have not been restated and continue to be reported under the accounting standards for that year. Properties does not expect the adoption of the new revenue standard to have a material impact to the change in net assets. This new standard also requires additional disclosures.

#### Accounting Guidance not yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the 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. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Properties is currently evaluating the impact of the guidance on its financial statements.

#### **Note 3: FINANCIAL ASSET AVAILABILITY**

Properties maintains its financial assets to provide liquidity to ensure funds are available as Properties' expenditures become due. The following reflects Properties' financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

June 30,	2020	2019
Financial assets at year-end: Assets held for resale Due from related parties	\$ 251,625 \$ 687,900	761,400
Total financial assets	939,525	761,400
Less amounts not available to be used within one year: Accounts payable	241,151	616,151
Total amounts not available for use	241,151	616,151
Financial assets available to meet expenditures in one year	\$ 698,374	145,249

Financial assets at year-end as noted in the above schedule exclude property and equipment. Accounts payable totaling \$241,151 and \$616,151 at June 30, 2020 and 2019, respectively, represents assets held for sale on behalf of other Archdiocese related entities and is not available for general expenditure.

#### **Note 4: PROPERTY AND EQUIPMENT**

Property and equipment – net consist of the following:

June 30,	2020	2019
Land \$ Land improvements Building Furniture and equipment	6,539,827 \$ 1,866,640 16,210,277 2,625,624	5,488,154 1,866,640 15,929,071 2,625,624
Construction in progress	7,811	24,699
Total property and equipment	27,250,179	25,934,188
Less: accumulated depreciation	(7,289,803)	(6,509,029)
Property and equipment, net \$	<b>19,960,376</b> \$	19,425,159

Depreciation expense for the years ended June 30, 2020 and 2019, was \$780,774 and \$513,019, respectively.

### AoA Properties Holding, Inc. Notes to Financial Statements

#### **Note 5: LEASE OF REAL PROPERTY**

In 2012, the Archdiocese purchased real property to be used by a Catholic Mission (the Mission). The original lease agreement was for a term of three years with a monthly payment of \$4,100. The lease agreement ultimately expired and is carried month-to-month at a rate of \$3,300 per month, until the Mission either vacates the property or purchases it outright. The lease payments are designed to cover the carrying cost of the property. All other costs, including but not limited to insurance, legal fees, property taxes and fees, maintenance and utilities, are the responsibility of the Mission.

The original lease agreement was serviced through the Archdiocese. As of July 1, 2019, lease revenue associated with the property was assigned to Properties which will service the agreement going forward. Lease revenue during the year ended June 30, 2020, totaled \$39,600.

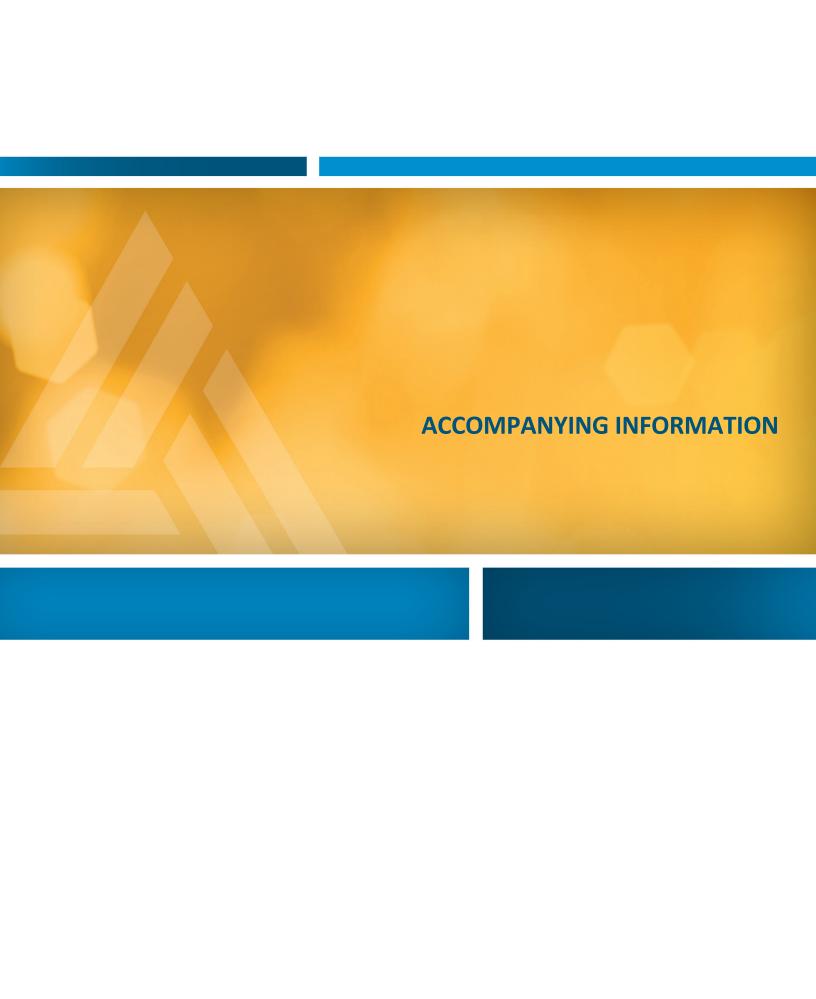
#### **Note 6: RELATED PARTY TRANSACTIONS**

#### Note Payable – AoA Deposit and Loan Fund Trust

During the year ended June 30, 2020, Properties signed a promissory note with AoA Deposit and Loan Fund Trust for the purpose of purchasing land bank properties. The unsecured note is dated June 16, 2020, in the maximum principal amount of \$2,000,000 and interest accruing at 3.5%. Principal payments are due as Properties receives funds from the sale of land bank properties. Interest is due monthly, beginning in July 2020. As of June 30, 2020, the outstanding balance totaled \$2,000,000.

#### **Note 7: RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of Properties. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.





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#### INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

His Excellency The Most Reverend Archbishop of Atlanta Atlanta, Georgia

We have audited the financial statements of AoA Properties Holding, Inc. as of and for the years ended June 30, 2020 and 2019, and our report thereon dated February 4, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on page 14 is presented for the purpose 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.

Cau, Riggs & Ingram, L.L.C.
CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia February 4, 2021

For the years ended June 30,	2019	2020			
	Balance	Additions	Reductions	Balance	
Land					
Carrol County					
University of W. Georgia	\$ 135,633	\$ -	\$ -	\$ 135,633	
Clayton County, Georgia					
San Felipe de Jesus Mission	103,000	-	-	103,000	
San Felipe de Jesus Mission	359,992	-	-	359,992	
Cobb County, Georgia					
Catholic Center - Smyrna	1,965,984	-	-	1,965,984	
St. Francis de Sales	-	158,357	-	158,357	
Floyd County, Georgia	420.022			420.022	
St. Mary Lot	429,923	-	-	429,923	
Fulton County, Georgia Our Lady of Lourdes	539			539	
Saint Jude the Apostle Church	434,202	-	-	434,202	
Gilmer County, Georgia	434,202	_	_	434,202	
Good Samaritan	_	167,603	_	167,603	
Gwinnett County, Georgia		107,003		107,003	
Mission Divino Niño	567,188	_	_	567,188	
Our Lady of Americas	918,200	_	_	918,200	
St. Oliver Plunkett	-	35,557	_	35,557	
Habersham County	190,850	-	_	190,850	
Murray County, Georgia	130,030			130,030	
St. Toribo Romo	277,500	_	_	277,500	
Polk County, Georgia	277,300			_,,,,,,	
St Bernadette	_	419,113	_	419,113	
Taliaferro County, Georgia		,			
Locust Grove Cemetery	10,000	_	_	10,000	
Purification Cemetery	10,000	-	_	10,000	
Purification Church	80,000	-	-	80,000	
Upson County	•			•	
St. Peter the Rock	5,143	-	-	5,143	
Whitfield County, Georgia	,			,	
St. Joseph, Dalton	-	163,684	-	163,684	
Other	-	107,359	-	107,359	
Total land	5,488,154	1,051,673	-	6,539,827	
Land improvements					
Catholic Center - Smyrna	320,688	-	-	320,688	
Our Lady of America	565,506	-	-	565,506	
St. Paul Education Bldg	980,446	-	-	980,446	
Total improvements	1,866,640	-	-	1,866,640	
Buildings					
Archbishop's residence	464,741	-	-	464,741	
Ardmore Court Townhomes	760,064	-	-	760,064	
Borromeo House - Sandy Springs	1,119,527	-	-	1,119,527	
Catholic Center - Smyrna	6,115,358	-	-	6,115,358	
Mission Del Divino Nino	1,215,513	-	-	1,215,513	
Our Lady of Americas	4,685,803	69,750	-	4,755,553	
St. Mary Toccoa	-	211,456	-	211,456	
San Felipe de Jesus Mission	853,368	-	-	853,368	
St. Toribo Romo	714,697	-	-	714,697	
Total buildings	15,929,071	281,206	-	16,210,277	
Furniture, fixtures, and equipment					
Archbishop's residence	127,058	-	-	127,058	
Ardmore Court Townhomes	53,282	-	-	53,282	
Chancery Offices	2,445,284	-	-	2,445,284	
Total furniture, fixtures and equipment	2,625,624	-	-	2,625,624	
Construction in progress	24,699		16,888	7,811	
	¢2E 024 100	\$ 1 222 070	\$ 16,000		
Total land, buildings, improvements and equipment	\$25,934,188	\$ 1,332,879	\$ 16,888	\$27,250,179	