

**COMBINED FINANCIAL STATEMENTS**

**ST. ANN'S CENTER FOR CHILDREN,  
YOUTH AND FAMILIES AND  
ST. ANN'S DONOR TRUST**

**FOR THE YEARS ENDED  
JUNE 30, 2017 AND 2016**

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST**

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
St. Ann's Center for Children, Youth and Families  
St. Ann's Donor Trust  
Hyattsville, Maryland

We have audited the accompanying combined financial statements of St. Ann's Center for Children, Youth and Families and St. Ann's Donor Trust, collectively referred to as "St. Ann's", which comprise the combined statements of financial position as of June 30, 2017, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of St. Ann's as of June 30, 2017, and the combined changes in its net assets and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Report on Summarized Comparative Information**

We have previously audited the St. Ann's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules on pages 20 - 25 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined 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 combined 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 combined financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of St. Ann's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Ann's internal control over financial reporting and compliance.



October 26, 2017

## ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

COMBINED STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2017 AND 2016

## ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 928,986	\$ 440,695
Investments	5,848,285	5,872,212
Pledges receivable	50,362	285,006
Accounts receivable	30,508	7,058
Prepaid expenses	16,629	8,949
Property and equipment, net of accumulated depreciation and amortization of \$1,650,219 and \$1,421,774	2,837,453	2,931,985
Other	-	9,720
Investments held in Trust	<u>267,975</u>	<u>248,765</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,980,198</u></b>	<b><u>\$ 9,804,390</u></b>

## LIABILITIES AND NET ASSETS

## LIABILITIES

Accounts payable and other accrued expenses	\$ 44,683	\$ 48,034
Accrued payroll expenses	107,603	105,200
Accrued vacation benefits	105,971	109,898
Other current liabilities	<u>400</u>	<u>450</u>
Total liabilities	<u>258,657</u>	<u>263,582</u>

## NET ASSETS

Unrestricted:		
Undesignated	997,633	888,457
Designated for long-term investment	5,365,080	5,100,820
Property and equipment	<u>1,016,976</u>	<u>991,893</u>
Total unrestricted net assets	7,379,689	6,981,170
Temporarily restricted	<u>2,341,852</u>	<u>2,559,638</u>
Total net assets	<u>9,721,541</u>	<u>9,540,808</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,980,198</u></b>	<b><u>\$ 9,804,390</u></b>

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST**

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Program Service Fees - Private	\$ 663,507	\$ -	\$ 663,507
Program Service Fees - Government Agencies	577,905	-	577,905
Public support	1,161,661	802,313	1,963,974
Investment income	566,190	-	566,190
Contributed services and materials	708,000	-	708,000
Rental income	58,508	-	58,508
Special events	346,088	-	346,088
Other revenue	4,519	-	4,519
Net assets released from donor restrictions	<u>1,020,099</u>	<u>(1,020,099)</u>	<u>-</u>
Total revenue	<u>5,106,477</u>	<u>(217,786)</u>	<u>4,888,691</u>
<b>EXPENSES</b>			
Program Services:			
Day Care	1,206,869	-	1,206,869
Adolescent Mothers and Babies	1,302,949	-	1,302,949
Education/ Employment	433,065	-	433,065
Transitional Housing	801,091	-	801,091
Food Service	<u>3,181</u>	<u>-</u>	<u>3,181</u>
Total program services	<u>3,747,155</u>	<u>-</u>	<u>3,747,155</u>
Supporting Services:			
General and Administrative	659,848	-	659,848
Fundraising	<u>300,955</u>	<u>-</u>	<u>300,955</u>
Total supporting services	<u>960,803</u>	<u>-</u>	<u>960,803</u>
Total expenses	<u>4,707,958</u>	<u>-</u>	<u>4,707,958</u>
Changes in net assets	398,519	(217,786)	180,733
Net assets at beginning of year	<u>6,981,170</u>	<u>2,559,638</u>	<u>9,540,808</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 7,379,689</u></b>	<b><u>\$ 2,341,852</u></b>	<b><u>\$ 9,721,541</u></b>

<u>2016</u>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 781,579	\$ -	\$ 781,579
569,332	-	569,332
896,118	852,518	1,748,636
271,254	-	271,254
708,000	-	708,000
27,185	-	27,185
300,293	-	300,293
(12,057)	-	(12,057)
<u>1,096,444</u>	<u>(1,096,444)</u>	<u>-</u>
<u>4,638,148</u>	<u>(243,926)</u>	<u>4,394,222</u>
1,189,211	-	1,189,211
1,434,881	-	1,434,881
464,350	-	464,350
826,875	-	826,875
<u>66,113</u>	<u>-</u>	<u>66,113</u>
<u>3,981,430</u>	<u>-</u>	<u>3,981,430</u>
615,046	-	615,046
<u>271,474</u>	<u>-</u>	<u>271,474</u>
<u>886,520</u>	<u>-</u>	<u>886,520</u>
<u>4,867,950</u>	<u>-</u>	<u>4,867,950</u>
(229,802)	(243,926)	(473,728)
<u>7,210,972</u>	<u>2,803,564</u>	<u>10,014,536</u>
<u>\$ 6,981,170</u>	<u>\$ 2,559,638</u>	<u>\$ 9,540,808</u>

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>			
	<u>Day Care</u>	<u>Adolescent Mothers and Babies</u>	<u>Education/ Employment</u>	<u>Transitional Housing</u>
Salaries and related expenses	\$ 972,162	\$ 863,946	\$ 330,591	\$ 396,187
Contributed services	-	64,800	7,200	57,600
Professional fees	391	49,821	652	17,735
Advertising and promotion	-	-	-	-
Supplies and materials	5,493	11,713	5,303	15,444
Telecommunications	3,317	6,549	1,327	4,147
Postage expense	-	-	-	-
Rent	112,800	135,360	45,120	141,000
Utilities and facility maintenance	62,634	74,693	25,930	90,119
Printing and production	-	-	-	-
Transportation	-	5,880	-	735
Staff training	1,316	19,559	-	1,499
Assistance to individuals	30	15,325	186	-
Membership	6,798	5,034	-	5,269
Interest expense	-	-	-	-
Banking fees	38	-	-	-
Miscellaneous	-	-	-	-
Depreciation and amortization	41,890	50,269	16,756	71,356
Events and meetings	-	-	-	-
<b>TOTAL</b>	<b><u>\$ 1,206,869</u></b>	<b><u>\$ 1,302,949</u></b>	<b><u>\$ 433,065</u></b>	<b><u>\$ 801,091</u></b>

<b>Supporting Services</b>						
<b>Food Service</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expense</b>	
\$ 2,741	\$ 2,565,627	\$ 183,112	\$ 230,511	\$ 413,623	\$2,979,250	
-	129,600	14,400	-	14,400	144,000	
-	68,599	103,740	377	104,117	172,716	
-	-	-	2,785	2,785	2,785	
167	38,120	51,019	2,472	53,491	91,611	
-	15,340	3,815	-	3,815	19,155	
-	-	3,241	5,908	9,149	9,149	
-	434,280	129,720	-	129,720	564,000	
273	253,649	88,138	878	89,016	342,665	
-	-	526	19,389	19,915	19,915	
-	6,615	784	13	797	7,412	
-	22,374	13,084	1,210	14,294	36,668	
-	15,541	-	74	74	15,615	
-	17,101	16,595	1,025	17,620	34,721	
-	-	137	-	137	137	
-	38	2,080	496	2,576	2,614	
-	-	1,283	-	1,283	1,283	
-	180,271	48,174	-	48,174	228,445	
-	-	-	35,817	35,817	35,817	
<b>\$ 3,181</b>	<b>\$ 3,747,155</b>	<b>\$ 659,848</b>	<b>\$ 300,955</b>	<b>\$ 960,803</b>	<b>\$ 4,707,958</b>	

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			
	Day Care	Adolescent Mothers and Babies	Education/ Employment	Transitional Housing
Salaries and related expenses	\$ 945,147	\$ 857,949	\$ 360,693	\$ 435,918
Contributed services	-	64,800	7,200	57,600
Professional fees	511	19,535	-	-
Advertising and promotion	-	-	-	-
Supplies and materials	11,047	18,929	4,302	12,015
Telecommunications	3,533	6,548	1,413	4,417
Postage expense	-	-	-	-
Rent	112,800	135,360	45,120	141,000
Utilities and facility maintenance	72,602	87,123	29,268	107,141
Printing and production	-	-	-	-
Transportation	-	613	-	-
Staff training	2,315	9,040	-	65
Assistance to individuals	954	13,721	-	-
Membership	521	160	-	-
Banking fees	-	-	-	-
Miscellaneous	-	-	442	-
Depreciation and amortization	39,781	47,737	15,912	68,719
Events and meetings	-	-	-	-
Allocation of food service	-	173,366	-	-
<b>TOTAL</b>	<b>\$ 1,189,211</b>	<b>\$ 1,434,881</b>	<b>\$ 464,350</b>	<b>\$ 826,875</b>

<b>Supporting Services</b>					
<b>Food Service</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expense</b>
\$ 110,336	\$ 2,710,043	\$ 260,667	\$ 195,358	\$ 456,025	\$3,166,068
-	129,600	14,400	-	14,400	144,000
-	20,046	66,173	9,832	76,005	96,051
-	-	-	7,745	7,745	7,745
36,799	83,092	61,755	3,877	65,632	148,724
1,413	17,324	2,197	-	2,197	19,521
-	-	4,802	5,281	10,083	10,083
45,120	479,400	84,600	-	84,600	564,000
29,636	325,770	63,013	-	63,013	388,783
-	-	213	13,386	13,599	13,599
-	613	6,579	298	6,877	7,490
-	11,420	11,732	1,183	12,915	24,335
-	14,675	1,581	-	1,581	16,256
263	944	1,338	-	1,338	2,282
-	-	1,994	420	2,414	2,414
-	442	3,705	503	4,208	4,650
15,912	188,061	29,835	-	29,835	217,896
-	-	462	33,591	34,053	34,053
(173,366)	-	-	-	-	-
<b>\$ 66,113</b>	<b>\$ 3,981,430</b>	<b>\$ 615,046</b>	<b>\$ 271,474</b>	<b>\$ 886,520</b>	<b>\$ 4,867,950</b>

## ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 180,733	\$ (473,728)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	228,445	217,896
Realized gain on sale of investments	(176,085)	(301,337)
Unrealized (gain) loss on investments	(257,100)	182,882
Increase in bond premium	-	48,198
(Decrease) increase in assets held in Trust	(19,210)	51,980
Decrease (increase) in:		
Pledges receivable	234,644	(61,793)
Accounts receivable	(23,450)	294,077
Prepaid expenses	(7,680)	7,882
Other	9,720	(9,720)
(Decrease) increase in:		
Accounts payable and other accrued expenses	(3,351)	(20,017)
Accrued payroll expenses	2,403	11,294
Accrued vacation benefits	(3,927)	(8,675)
Other current liabilities	<u>(50)</u>	<u>(375)</u>
Net cash provided (used) by operating activities	<u>165,092</u>	<u>(61,436)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(394,609)	(455,052)
Proceeds from sale of investments	851,721	653,430
Purchase of property and equipment	<u>(133,913)</u>	<u>(302,220)</u>
Net cash provided (used) by investing activities	<u>323,199</u>	<u>(103,842)</u>
Net increase (decrease) in cash and cash equivalents	488,291	(165,278)
Cash and cash equivalents at beginning of year	<u>440,695</u>	<u>605,973</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 928,986</u></b>	<b><u>\$ 440,695</u></b>

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

St. Ann's Center for Youth and Families (St. Ann's) was established in 1863 by an act of Congress for the purpose of establishing and maintaining an institution for the maintenance and support of foundlings, infant orphan, and half orphan children, and to provide for deserving indigent and unprotected females during and after their pregnancy and childbirth.

On August 29, 2012, St. Ann's Infant and Maternity Home legally changed its name to St. Ann's Center for Children, Youth and Families.

On September 10, 2014, St. Ann's Donor Trust (the Trust) was established. The Trust was organized to hold, administer and disburse donations and reserve fund accounts. The Trust shall be organized and at all times operated exclusively for the benefit of, to perform the functions of, and/or to carry out the purposes of St. Ann's Center for Youth and Families.

Basis of presentation -

The combined financial statements include the accounts of St. Ann's and the St. Ann's Trust (collectively referred to as St. Ann's). The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Cash and cash equivalents -

St. Ann's considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, St. Ann's maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses less investment fees are included in investment income in the Combined Statements of Activities and Changes in Net Assets. Bond premiums are being amortized over the term of the bonds and are included in investment income.

Accounts and pledges receivable -

Accounts and pledges receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Property and equipment -

Property and equipment in excess of \$2,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to twenty years. Leasehold improvements are capitalized and amortized on a straight-line basis over the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Combined Statements of Activities and Changes in Net Assets, to its current fair value.

Income taxes -

St. Ann's is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. St. Ann's is not a private foundation.

The Trust purposes are limited to exempt purposes as provided under Section 501(c)(3) of the Internal Revenue Code.

Uncertain tax positions -

For the years ended June 30, 2017 and 2016, St. Ann's has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of St. Ann's and include both internally designated and undesignated resources. Unrestricted funds designated for long-term investment represent the assets held in St. Ann's Donor Trust.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of St. Ann's and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions, public support, and grants -

Contributions, public support, and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

St. Ann's receives funding under grants from Federal, state and local governments. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Contributions, public support, and grants (continued) -

Unreimbursed grant expenses incurred in accordance with the grant agreements are recorded as grants receivable on St. Ann's Combined Statements of Financial Position. Funding received in advance of incurring the related expenses is recorded as a refundable advance.

Use of estimates -

The preparation of the combined 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 at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs -

St. Ann's expenses costs associated with advertising as they are incurred. For the years ended June 30, 2017 and 2016, advertising expense totaled \$2,785 and \$7,745, respectively.

Risks and uncertainties -

St. Ann's invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

Fair value measurement -

St. Ann's adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

St. Ann's accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior years combined financial statements have been reclassified to conform to the current years combined presentation. These reclassifications had no effect on the previously reported change in net assets.

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

New accounting pronouncements not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of St. Ann's combined financial statements, it is not expected to alter St. Ann's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states 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. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. St. Ann's plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

St. Ann's plans to adopt the new ASUs at the required implementation dates.

2. INVESTMENTS

Investments consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Domestic Equities	\$ 3,201,267	\$ 3,150,357
International Equities	177,281	182,904
Mutual Funds, CTFs & UITs	565,569	567,141
Taxable Fixed Income	1,790,007	1,791,307
Tax-Exempt Fixed Income	<u>114,161</u>	<u>180,503</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 5,848,285</u></b>	<b><u>\$ 5,872,212</u></b>

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**2. INVESTMENTS (Continued)**

Included in investment income are the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 164,063	\$ 181,858
Realized gain on sale of investments	176,085	301,337
Unrealized gain (loss) on investments	<u>257,100</u>	<u>(182,882)</u>
	597,248	300,313
Less: Investment fees	<u>(31,058)</u>	<u>(29,059)</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 566,190</u></b>	<b><u>\$ 271,254</u></b>

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets activity consisted of the following for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>2017 Additions</u>	<u>2017 Releases</u>	<u>Ending Balance</u>
Facility modernization	\$ 1,940,092	\$ -	\$ (119,615)	\$ 1,820,477
Billerbeck Foundation	108,057		-	108,057
Facilities upgrades		30,000		30,000
Time restricted	<u>511,489</u>	<u>772,313</u>	<u>(900,484)</u>	<u>383,318</u>
<b>TOTAL</b>	<b><u>\$ 2,559,638</u></b>	<b><u>\$ 802,313</u></b>	<b><u>\$ (1,020,099)</u></b>	<b><u>\$ 2,341,852</u></b>

Temporarily restricted net assets activity consisted of the following for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>2016 Additions</u>	<u>2016 Releases</u>	<u>Ending Balance</u>
Facility modernization	\$ 2,059,707	\$ -	\$ (119,615)	\$ 1,940,092
Billerbeck Foundation	90,539	17,518	-	108,057
Time restricted	<u>653,318</u>	<u>835,000</u>	<u>(976,829)</u>	<u>511,489</u>
<b>TOTAL</b>	<b><u>\$ 2,803,564</u></b>	<b><u>\$ 852,518</u></b>	<b><u>\$ (1,096,444)</u></b>	<b><u>\$ 2,559,638</u></b>

**4. LEASE COMMITMENT**

Operating lease -

St. Ann's pays \$564,000 per year to the Archdiocese as rent for the land and building used by St. Ann's. The agreement with the Archdiocese is renewed annually.

St. Ann's recognized rental income throughout the year from subleasing a portion of space to various parties. Monthly payments were based on pre-determined monthly rates with no future minimum commitments due to the parties being on a month-to-month basis. Rental income for the years ended June 30, 2017 and 2016, was \$58,508 and \$27,185, respectively.

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**5. RELATED PARTY TRANSACTIONS**

St. Ann's paid \$70,727 and \$71,560, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2017 and 2016. St. Ann's also received contributions in the amount of \$564,000 from the Archdiocese for each of the years ended June 30, 2017 and 2016, respectively. The value received from the Archdiocese approximates the fair value of rent for St. Ann's facility. See Note 4 for discussion of the lease commitment with the Archdiocese.

**6. NONCASH CONTRIBUTIONS**

Contributed services -

St. Ann's records contributed services as income and expense for the difference between the stipend that St. Ann's pays the sisters who work in St. Ann's programs and the fair value of the services. Contributed program services totaled \$144,000 for each of the years ended June 30, 2017 and 2016, respectively.

**7. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2017 and 2016 included the following:

	<u>2017</u>	<u>2016</u>
Building	\$ 712,784	\$ 712,784
Building and grounds improvements	3,357,406	3,223,493
Grounds equipment	249,514	249,514
Office furniture and equipment	135,931	135,931
Computer equipment	10,785	10,785
Transportation equipment	<u>21,252</u>	<u>21,252</u>
Total property and equipment	4,487,672	4,353,759
Less: Accumulated depreciation and amortization	<u>(1,650,219)</u>	<u>(1,421,774)</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b><u>\$ 2,837,453</u></b>	<b><u>\$ 2,931,985</u></b>

**8. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, St. Ann's has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market St. Ann's has the ability to access.

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

8. FAIR VALUE MEASUREMENT (Continued)

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

- *Common Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Government Securities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, St. Ann's investments as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Domestic Equities	\$ 3,201,267	\$ -	\$ -	\$ 3,201,267
International Equities	177,281	-	-	177,281
Mutual Funds, CTFs & UITs	565,569	-	-	565,569
Taxable Fixed Income	1,790,007	-	-	1,790,007
Tax-Exempt Fixed Income	114,161	-	-	114,161
Assets held in Trust	<u>267,975</u>	<u>-</u>	<u>-</u>	<u>267,975</u>
<b>TOTAL</b>	<b><u>\$ 6,116,260</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,116,260</u></b>

The table below summarizes, by level within the fair value hierarchy, St. Ann's investments as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Domestic Equities	\$ 3,150,357	\$ -	\$ -	\$ 3,150,357
International Equities	182,904	-	-	182,904
Mutual Funds, CTFs & UITs	567,141	-	-	567,141
Taxable Fixed Income	1,791,307	-	-	1,791,307
Tax-Exempt Fixed Income	180,503	-	-	180,503
Assets held in Trust	<u>248,765</u>	<u>-</u>	<u>-</u>	<u>248,765</u>
<b>TOTAL</b>	<b><u>\$ 6,120,977</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,120,977</u></b>

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**9. SPLIT INTEREST AGREEMENTS**

Investments held in Trust consist of investments in a perpetual Trust establishing St. Ann's as a beneficiary. St. Ann's receives current income earned by the Trust. St. Ann's has recorded its interest in this Trust as part of Assets held in Trust in the accompanying Combined Statements of Financial Position.

**10. SUBSEQUENT EVENTS**

In preparing these combined financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through October 26, 2017, the date the combined financial statements were issued.

**SUPPLEMENTAL INFORMATION**

## ST. ANN'S CENTER FOR CHILDREN, YOUTH, AND FAMILIES AND ST. ANN'S DONOR TRUST

**COMBINING STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2017**

	St. Ann's	St. Ann's Trust	Eliminations	Consolidation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 928,986	\$ -	\$ -	\$ 928,986
Investments	483,205	5,365,080	-	5,848,285
Pledges receivable	50,362	-	-	50,362
Accounts receivable	30,508	-	-	30,508
Prepaid expenses	16,629	-	-	16,629
Property and equipment, net of accumulated depreciation and amortization of \$1,650,219	2,837,453	-	-	2,837,453
Assets held in Trust	267,975	-	-	267,975
<b>TOTAL ASSETS</b>	<b>\$ 4,615,118</b>	<b>\$ 5,365,080</b>	<b>\$ -</b>	<b>\$ 9,980,198</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable and other accrued expenses	\$ 44,683	\$ -	\$ -	\$ 44,683
Accrued payroll expenses	107,603	-	-	107,603
Accrued vacation benefits	105,971	-	-	105,971
Other current liabilities	400	-	-	400
Total liabilities	258,657	-	-	258,657
<b>NET ASSETS</b>				
Unrestricted:				
Undesignated	2,014,609	-	-	2,014,609
Designated for long-term investment	-	5,365,080	-	5,365,080
Total unrestricted net assets	2,014,609	5,365,080	-	7,379,689
Temporarily restricted	2,341,852	-	-	2,341,852
Total net assets	4,356,461	5,365,080	-	9,721,541
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,615,118</b>	<b>\$ 5,365,080</b>	<b>\$ -</b>	<b>\$ 9,980,198</b>

## ST. ANN'S CENTER FOR CHILDREN, YOUTH, AND FAMILIES AND ST. ANN'S DONOR TRUST

**COMBINING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>St. Ann's</u>	<u>St. Ann's Trust</u>	<u>Eliminations</u>	<u>Consolidation</u>
<b>REVENUE</b>				
Program Service Fees - Private	\$ 663,507	\$ -	\$ -	\$ 663,507
Program Service Fees - Government				
Agencies	577,905	-	-	577,905
Public support	1,952,705	11,269	-	1,963,974
Investment income	56,460	509,730	-	566,190
Contributed services and materials	708,000	-	-	708,000
Rental income	58,508	-	-	58,508
Special events	346,088	-	-	346,088
Other revenue	4,519	-	-	4,519
	<u>4,367,692</u>	<u>520,999</u>	<u>-</u>	<u>4,888,691</u>
<b>EXPENSES</b>				
Program Services:				
Day Care	1,206,869	-	-	1,206,869
Adolescent Mothers and Babies	1,302,949	-	-	1,302,949
Education/ Employment	433,065	-	-	433,065
Food Service	3,181	-	-	3,181
Transitional Housing	801,091	-	-	801,091
	<u>3,747,155</u>	<u>-</u>	<u>-</u>	<u>3,747,155</u>
Supporting Services:				
General and Administrative	659,848	-	-	659,848
Fundraising	300,955	-	-	300,955
	<u>960,803</u>	<u>-</u>	<u>-</u>	<u>960,803</u>
Total expenses	<u>4,707,958</u>	<u>-</u>	<u>-</u>	<u>4,707,958</u>
Change in net assets before other item	(340,266)	520,999	-	180,733
<b>OTHER ITEM</b>				
Transfer of net assets from Trust	256,739	(256,739)	-	-
Change in net assets	(83,527)	264,260	-	180,733
Net assets at beginning of year	4,439,988	5,100,820	-	9,540,808
<b>NET ASSETS AT END OF THE YEAR</b>	<b><u>\$ 4,356,461</u></b>	<b><u>\$ 5,365,080</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,721,541</u></b>

## ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

**SCHEDULE OF ALLOWABLE COSTS - ADOLESCENT MOTHERS AND BABIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Budget (Unaudited)</b>	<b>Actual</b>	<b>Daily Rates (See Note 4)</b>
Salaries and related expenses	\$ 929,926	\$ 852,196	
Contributed services	64,800	64,800	
Contract services	11,132	11,750	
Rent	135,360	135,360	
Professional fees	25,000	49,821	
Insurance	23,040	16,974	
Utilities	52,800	38,209	
Supplies	28,200	16,747	
Maintenance	57,600	26,057	
Transportation	13,000	5,880	
Other	31,000	34,886	
	<u>1,371,858</u>	<u>1,252,680</u>	
Total direct expenses before depreciation	1,371,858	1,252,680	
Depreciation	65,000	50,269	
	<u>1,436,858</u>	<u>1,302,949</u>	
Total expenses after depreciation	1,436,858	1,302,949	
Allocation of general and administration expenses (Note 2)	-	229,635	
	<u>1,436,858</u>	<u>1,532,584</u>	
Total actual expenses	1,436,858	1,532,584	
Less: Unallowable contributed services	(64,800)	(64,800)	
	<u>1,372,058</u>	<u>1,467,784</u>	
Total actual expenses less unallowable costs	1,372,058	1,467,784	
Less: Credits (Note 3)			
United Way Contributions	(37,500)	(36,352)	
Contributions and grants	(300,000)	(382,440)	
	<u>(337,500)</u>	<u>(418,792)</u>	
<b>NET PROGRAM EXPENSES</b>	<b><u>\$ 1,034,558</u></b>	<b><u>\$ 1,048,992</u></b>	

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

SCHEDULE OF ALLOWABLE COSTS - ADOLESCENT MOTHERS AND BABIES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget (Unaudited)</u>	<u>Actual</u>	<u>Daily Rates (See Note 4)</u>
<b>DISCOUNTED DAILY RATE</b>			<u><u>421.96</u></u>
<b>NEGOTIATED DAILY RATE</b>			<u><u>193.06</u></u>
<b>NEGOTIATED MONTHLY RATE</b>			<u><u>\$ 5,985</u></u>
Total allowable program expenses		\$ 1,048,992	
			<u>% Md. Units</u>
Maryland service units		1,562	62.83
Total service units		2,486	
Maryland's share of expenses (Total expenses X Md. %)		\$ 659,101	
D.H.R. Allowable Billing: 981 days X \$193.06/day =		<u>\$ 189,392</u>	
<b>D.H.R. ACTUAL BILLING</b>		<u><b>\$ 189,392</b></u>	
D.J.S. Allowable Billing: 121 days X \$193.06/day =		\$ 23,360	
15 months X \$5,872/month =		<u>88,080</u>	
Total D.J.S. Allowable Billing		<u>111,440</u>	
<b>D.J.S. ACTUAL BILLING</b>		<u><b>\$ 111,440</b></u>	
D.H.R FY 2017 Cash Receipts		\$ 209,358	
D.J.S. FY 2017 Cash Receipts		\$ 121,628	
Expenses Related to DHR		\$ 419,427	
Expenses Related to D.J.S.		\$ 239,673	

## ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

**SCHEDULE OF ALLOWABLE COSTS - EDUCATION/EMPLOYMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Budget (Unaudited)</b>	<b>Actual</b>	<b>Daily Rates (See Note 4)</b>
Salaries and related expenses	\$ 375,809	\$ 326,880	
Contributed services	7,200	7,200	
Contract services	3,711	4,362	
Rent	45,120	45,120	
Insurance	5,760	5,658	
Utilities	13,200	11,881	
Supplies	6,300	5,303	
Maintenance	14,400	9,719	
Other	2,000	186	
	<hr/>	<hr/>	
Total direct expenses before depreciation	473,500	416,309	
Depreciation	18,000	16,756	
	<hr/>	<hr/>	
Total direct expenses	491,500	433,065	
Allocation of general and administration expenses (Note 2)	-	76,325	
	<hr/>	<hr/>	
Total actual expenses	491,500	509,390	
Less: Unallowable contributed services	(7,200)	(7,200)	
	<hr/>	<hr/>	
Total actual expenses less unallowable costs	484,300	502,190	
Less: Credits (Note 3)			
United Way Contributions	(25,000)	(24,235)	
Contributions and grants	(40,000)	(21,708)	
	<hr/>	<hr/>	
<b>NET PROGRAM EXPENSES</b>	<b>\$ 419,300</b>	<b>\$ 456,247</b>	
	<hr/> <hr/>	<hr/> <hr/>	

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

SCHEDULE OF ALLOWABLE COSTS - EDUCATION/EMPLOYMENT  
FOR THE YEAR ENDED JUNE 30, 2017

<b>DISCOUNTED DAILY RATE</b>		<u><u>576.80</u></u>
<b>NEGOTIATED DAILY RATE</b>		<u><u>72.37</u></u>
Total Allowable program expenses	\$ 456,247	
Maryland D.J.S. service units	243	<u>% Md. Units</u> 30.72
Total service units	791	
Maryland's share of expenses (Total expenses X Md. %)	\$ 140,162	
Allowable Billing: 243 days X \$74.18/day =	<u>\$ 18,026</u>	
Total Allowable Billing	<u>\$ 18,026</u>	
<b>ACTUAL BILLING</b>	<u><u>\$ 18,026</u></u>	

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST**

**NOTES TO SUPPLEMENTAL SCHEDULES  
JUNE 30, 2017**

**1. PRESENTATION OF ALLOWABLE COST SCHEDULES**

St. Ann's is required by the State of Maryland to present the accompanying allowable cost schedules detailing St. Ann's actual costs in comparison with St. Ann's negotiated rates.

**2. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses are allocated to each service function based upon the ratio of total service function expense as a percentage of total program expenses.

**3. CREDITS**

St. Ann's participated in the School Breakfast Program, the National School Lunch Program, and the Child Care Food Program sponsored by the U.S. Department of Agriculture and administered through the Maryland State Department of Education. Expenses relating to these programs are included in the schedules as clothing and food assistance. Reimbursement received for these costs are applicable credits and are used to reduce the cost of operations of supported programs. Total reimbursements of \$10,990 have been allocated to St. Ann's various program services on the basis of actual meals served.

Contributions used for the respective programs are also considered applicable credits and are used to reduce the cost of operations of supported programs.

**4. CALCULATION OF ACTUAL DAILY RATES**

Actual overall daily rates are calculated as follows for the year ended June 30, 2017:

	<b>Adolescent Mothers and Babies</b>	<b>Education/ Employment</b>
<b>TOTAL ALLOWABLE COST</b>	\$ <u>1,048,990</u>	\$ <u>456,246</u>
<b>DAYS OF SERVICE RENDERED</b>	<u>2,486</u>	<u>791</u>
<b>ACTUAL DISCOUNTED DAILY RATE</b>	\$ <u>422</u>	\$ <u>577</u>
<b>NEGOTIATED DAILY RATES</b>	\$ <u>193</u>	\$ <u>72</u>

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

NOTES TO SUPPLEMENTAL SCHEDULES  
JUNE 30, 2017

5. CALCULATION OF ACTUAL DAILY RATES

Actual overall daily rate is calculated as follows for the year ended June 30, 2017:

	<b><u>Education/ Employment</u></b>
Total allowable cost	\$ 456,246
Days of Service Rendered	<u>791</u>
<b>= ACTUAL DISCOUNTED DAILY RATE</b>	<b>\$ <u>577</u></b>
<b>NEGOTIATED DAILY RATE</b>	<b>\$ <u>72</u></b>

6. PROGRAM FEES

For the year ended June 30, 2017, total revenues earned for programs funded in part by SSA were:

Adolescent Mothers and Babies	\$ 514,750
Education/Employment	\$ 17,581

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

To the Board of Directors  
St. Ann's Center for Children, Youth and Families  
Hyattsville, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Ann's Center for Children, Youth and Families (St. Ann's) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise St. Ann's's basic financial statements, and have issued our report thereon dated October 26, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Ann's's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Ann's's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Ann's's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of St. Ann's's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Ann's's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

October 26, 2017