

COMBINED FINANCIAL STATEMENTS

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

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

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

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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, 2018 and 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, 2018 and 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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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 21 - 26 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 17, 2018 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 17, 2018

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

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

ASSETS

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------------|----------------------------|
| Cash and cash equivalents | \$ 917,855 | \$ 928,986 |
| Investments | 6,422,644 | 5,848,285 |
| Pledges receivable | 70,234 | 50,362 |
| Accounts receivable | 82,499 | 30,508 |
| Prepaid expenses | 26,985 | 16,629 |
| Property and equipment, net of accumulated depreciation and amortization of \$1,870,647 and \$1,650,219 | 2,621,119 | 2,837,453 |
| Investments held in Trust | <u>279,772</u> | <u>267,975</u> |
| TOTAL ASSETS | <u>\$ 10,421,108</u> | <u>\$ 9,980,198</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | |
|---|----------------|----------------|
| Accounts payable and other accrued expenses | \$ 44,127 | \$ 44,683 |
| Accrued payroll expenses | 96,210 | 107,603 |
| Accrued vacation benefits | 110,791 | 105,971 |
| Other current liabilities | <u>1,707</u> | <u>400</u> |
| Total liabilities | <u>252,835</u> | <u>258,657</u> |

NET ASSETS

| | | |
|---|-----------------------------|----------------------------|
| Unrestricted: | | |
| Undesignated | 1,095,900 | 997,633 |
| Designated for long-term investment | 5,932,391 | 5,365,080 |
| Property and equipment | <u>920,257</u> | <u>1,016,976</u> |
| Total unrestricted net assets | 7,948,548 | 7,379,689 |
| Temporarily restricted | <u>2,219,725</u> | <u>2,341,852</u> |
| Total net assets | <u>10,168,273</u> | <u>9,721,541</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 10,421,108</u> | <u>\$ 9,980,198</u> |

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, 2018 AND 2017**

| | 2018 | | |
|---|----------------------------|-----------------------------------|-----------------------------|
| | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE | | | |
| Program Service Fees - Private | \$ 521,267 | \$ - | \$ 521,267 |
| Program Service Fees - Government Agencies | 670,517 | - | 670,517 |
| Public support | 1,556,576 | 470,500 | 2,027,076 |
| Investment income | 579,187 | 21,551 | 600,738 |
| Contributed services and materials | 708,000 | - | 708,000 |
| Rental income | 179,840 | - | 179,840 |
| Special events | 363,670 | - | 363,670 |
| Other revenue | 2,586 | - | 2,586 |
| Net assets released from donor restrictions | <u>614,178</u> | <u>(614,178)</u> | <u>-</u> |
| Total support and revenue | <u>5,195,821</u> | <u>(122,127)</u> | <u>5,073,694</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Day Care | 1,139,446 | - | 1,139,446 |
| Adolescent Mothers and Babies | 1,289,543 | - | 1,289,543 |
| Education/ Employment | 361,286 | - | 361,286 |
| Transitional Housing | 826,870 | - | 826,870 |
| Food Service | <u>-</u> | <u>-</u> | <u>-</u> |
| Total program services | <u>3,617,145</u> | <u>-</u> | <u>3,617,145</u> |
| Supporting Services: | | | |
| General and Administrative | 586,475 | - | 586,475 |
| Fundraising | <u>423,342</u> | <u>-</u> | <u>423,342</u> |
| Total supporting services | <u>1,009,817</u> | <u>-</u> | <u>1,009,817</u> |
| Total expenses | <u>4,626,962</u> | <u>-</u> | <u>4,626,962</u> |
| Changes in net assets | 568,859 | (122,127) | 446,732 |
| Net assets at beginning of year | <u>7,379,689</u> | <u>2,341,852</u> | <u>9,721,541</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 7,948,548</u> | <u>\$ 2,219,725</u> | <u>\$ 10,168,273</u> |

| 2017 | | |
|---------------------|-----------------------------------|---------------------|
| Unrestricted | Temporarily Restricted | Total |
| \$ 663,507 | \$ - | \$ 663,507 |
| 577,905 | - | 577,905 |
| 1,161,661 | 802,313 | 1,963,974 |
| 566,190 | - | 566,190 |
| 708,000 | - | 708,000 |
| 58,508 | - | 58,508 |
| 346,088 | - | 346,088 |
| 4,519 | - | 4,519 |
| <u>1,020,099</u> | <u>(1,020,099)</u> | <u>-</u> |
| <u>5,106,477</u> | <u>(217,786)</u> | <u>4,888,691</u> |
| 1,206,869 | - | 1,206,869 |
| 1,302,949 | - | 1,302,949 |
| 433,065 | - | 433,065 |
| 801,091 | - | 801,091 |
| <u>3,181</u> | <u>-</u> | <u>3,181</u> |
| <u>3,747,155</u> | <u>-</u> | <u>3,747,155</u> |
| 659,848 | - | 659,848 |
| <u>300,955</u> | <u>-</u> | <u>300,955</u> |
| <u>960,803</u> | <u>-</u> | <u>960,803</u> |
| <u>4,707,958</u> | <u>-</u> | <u>4,707,958</u> |
| 398,519 | (217,786) | 180,733 |
| <u>6,981,170</u> | <u>2,559,638</u> | <u>9,540,808</u> |
| <u>\$ 7,379,689</u> | <u>\$ 2,341,852</u> | <u>\$ 9,721,541</u> |

See accompanying notes to combined financial statements.

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, 2018

| | Program Services | | |
|------------------------------------|---------------------|-------------------------------------|--------------------------|
| | Day Care | Adolescent Mothers and Babies | Education/ Employment |
| Salaries and related expenses | \$ 897,055 | \$ 792,467 | \$ 258,531 |
| Contributed services | - | 64,800 | 7,200 |
| Professional fees | 11 | 17,745 | 70 |
| Advertising and promotion | - | - | - |
| Supplies and materials | 10,035 | 112,701 | 6,023 |
| Telecommunications | 3,213 | 7,217 | 1,285 |
| Postage expense | - | - | - |
| Rent | 112,800 | 135,360 | 45,120 |
| Utilities and facility maintenance | 67,200 | 80,510 | 26,947 |
| Printing and production | - | - | - |
| Transportation | - | 5,094 | - |
| Staff training | 3,020 | 12,093 | - |
| Assistance to individuals | - | 8,627 | - |
| Membership | 5,425 | 4,600 | - |
| Interest expense | - | - | - |
| Banking fees | 13 | - | - |
| Miscellaneous | 400 | - | - |
| Improvements | - | - | - |
| Bad debt | - | - | - |
| Depreciation and amortization | 40,274 | 48,329 | 16,110 |
| Events and meetings | - | - | - |
| TOTAL | \$ 1,139,446 | \$ 1,289,543 | \$ 361,286 |

| Supporting Services | | | | | |
|-------------------------|---------------------------|-------------------------------|-------------------|---------------------------------|---------------------|
| Transitional Housing | Total Program Services | General and Administrative | Fundraising | Total Supporting Services | Total Expense |
| \$ 426,261 | \$ 2,374,314 | \$ 155,233 | \$ 330,004 | \$ 485,237 | \$ 2,859,551 |
| 57,600 | 129,600 | 14,400 | - | 14,400 | 144,000 |
| - | 17,826 | 90,671 | 7,455 | 98,126 | 115,952 |
| - | - | - | 1,600 | 1,600 | 1,600 |
| 15,810 | 144,569 | 27,848 | 3,796 | 31,644 | 176,213 |
| 5,992 | 17,707 | 1,887 | - | 1,887 | 19,594 |
| - | - | 3,998 | 5,686 | 9,684 | 9,684 |
| 141,000 | 434,280 | 129,720 | - | 129,720 | 564,000 |
| 100,352 | 275,009 | 99,432 | 878 | 100,310 | 375,319 |
| - | - | 2,158 | 24,884 | 27,042 | 27,042 |
| 604 | 5,698 | 1,261 | 10 | 1,271 | 6,969 |
| 5,291 | 20,404 | 3,928 | 2,199 | 6,127 | 26,531 |
| - | 8,627 | 10 | 10 | 20 | 8,647 |
| 4,400 | 14,425 | 5,387 | 2,314 | 7,701 | 22,126 |
| - | - | 230 | - | 230 | 230 |
| - | 13 | 391 | 1,513 | 1,904 | 1,917 |
| - | 400 | 458 | 70 | 528 | 928 |
| - | - | 3,000 | - | 3,000 | 3,000 |
| - | - | 308 | - | 308 | 308 |
| 69,560 | 174,273 | 46,155 | - | 46,155 | 220,428 |
| - | - | - | 42,923 | 42,923 | 42,923 |
| \$ 826,870 | \$ 3,617,145 | \$ 586,475 | \$ 423,342 | \$ 1,009,817 | \$ 4,626,962 |

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 | - | - | - | - |
| TOTAL | \$ 1,206,869 | \$ 1,302,949 | \$ 433,065 | \$ 801,091 |

| | | Supporting Services | | | | |
|---------------------|-------------------------------|-----------------------------------|--------------------|----------------------------------|----------------------|--|
| Food Service | Total Program Services | General and Administrative | Fundraising | Total Supporting Services | Total Expense | |
| \$ 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 | |
| \$ 3,181 | \$ 3,747,155 | \$ 659,848 | \$ 300,955 | \$ 960,803 | \$ 4,707,958 | |

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, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 446,732 | \$ 180,733 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 220,428 | 228,445 |
| Realized gain on sale of investments | (83,081) | (176,085) |
| Unrealized gain on investments | (395,110) | (257,100) |
| Decrease in assets held in Trust | (11,797) | (19,210) |
| (Increase) decrease in: | | |
| Pledges receivable | (19,872) | 234,644 |
| Accounts receivable | (51,991) | (23,450) |
| Prepaid expenses | (10,356) | (7,680) |
| Other | - | 9,720 |
| (Decrease) increase in: | | |
| Accounts payable and other accrued expenses | (556) | (3,351) |
| Accrued payroll expenses | (11,393) | 2,403 |
| Accrued vacation benefits | 4,820 | (3,927) |
| Other current liabilities | <u>1,307</u> | <u>(50)</u> |
| Net cash provided by operating activities | <u>89,131</u> | <u>165,092</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (500,721) | (394,609) |
| Proceeds from sale of investments | 404,553 | 851,721 |
| Purchase of property and equipment | <u>(4,094)</u> | <u>(133,913)</u> |
| Net cash (used) provided by investing activities | <u>(100,262)</u> | <u>323,199</u> |
| Net (decrease) increase in cash and cash equivalents | (11,131) | 488,291 |
| Cash and cash equivalents at beginning of year | <u>928,986</u> | <u>440,695</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 917,855</u> | <u>\$ 928,986</u> |

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*

For the year ended June 30, 2017, the financial statements of St. Ann's have been combined with St. Ann's Trust 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. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

Property and equipment (continued) -

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.

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, 2018 and 2017, 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 CENTER FOR CHILDREN, YOUTH AND FAMILIES AND ST. ANN'S DONOR TRUST

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

Contributions, public support, and grants (continued) -

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.

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.

Program service fees -

Program service fees are recognized as revenue in the period that the fees are earned. Fees received in advance of being earned will be recorded as deferred income on the Combined Statements of Financial Position.

Contributed services and materials -

Contributed services and materials consists of donated time to work on program services as well as donated rent for their facility. Contributed services and materials are recorded at their fair value as of the date of the gift.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

Fair value measurement (continued) -

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

New accounting pronouncements (not yet adopted) -

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. St. Ann's has not yet decided on a transition method. The ASU is effective for years beginning after December 15, 2018.

In August 2016, the 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. St. Ann's has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the combined financial statements.

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 Combined Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

New accounting pronouncements (not yet adopted) (continued) -

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, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|----------------------------|----------------------------|
| Domestic Equities | \$ 3,508,181 | \$ 3,201,267 |
| International Equities | 213,525 | 177,281 |
| Mutual Funds, CTFs & UITs | 603,963 | 565,569 |
| Taxable fixed Income | 2,000,010 | 1,790,007 |
| Tax-Exempt Fixed Income | <u>96,965</u> | <u>114,161</u> |
| TOTAL INVESTMENTS | <u>\$ 6,422,644</u> | <u>\$ 5,848,285</u> |

Included in investment income are the following for the years ended June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|--------------------------|--------------------------|
| Interest and dividends | \$ 156,295 | \$ 164,063 |
| Realized gain on sale of investments | 83,081 | 176,085 |
| Unrealized gain on investments | <u>395,110</u> | <u>257,100</u> |
| | 634,486 | 597,248 |
| Less: Investment fees | <u>(33,748)</u> | <u>(31,058)</u> |
| TOTAL INVESTMENT INCOME | <u>\$ 600,738</u> | <u>\$ 566,190</u> |

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets activity consisted of the following for the year ended June 30, 2018:

| | <u>Beginning Balance</u> | <u>2018 Additions</u> | <u>2018 Releases</u> | <u>Ending Balance</u> |
|------------------------|------------------------------|---------------------------|----------------------------|----------------------------|
| Facility modernization | \$ 1,820,477 | \$ - | \$ (119,615) | \$ 1,700,862 |
| Billerbeck Foundation | 108,057 | 24,551 | (12,192) | 120,416 |
| Facilities upgrades | 30,000 | - | - | 30,000 |
| Time restricted | <u>383,318</u> | <u>467,500</u> | <u>(482,371)</u> | <u>368,447</u> |
| TOTAL | <u>\$ 2,341,852</u> | <u>\$ 492,051</u> | <u>\$ (614,178)</u> | <u>\$ 2,219,725</u> |

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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> |
| TOTAL | <u>\$ 2,559,638</u> | <u>\$ 802,313</u> | <u>\$ (1,020,099)</u> | <u>\$ 2,341,852</u> |

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.

Future minimum rental payments to be received are:

Year Ending June 30,

| | |
|------|--------------------------|
| 2019 | \$ 134,880 |
| 2020 | 114,000 |
| 2021 | 114,000 |
| 2022 | 114,000 |
| 2023 | <u>6,000</u> |
| | <u>\$ 482,880</u> |

Rental income for the years ended June 30, 2018 and 2017, was \$179,840 and \$58,508, respectively.

5. RELATED PARTY TRANSACTIONS

St. Ann's paid \$70,019 and \$70,727, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2018 and 2017. St. Ann's also received contributions in the amount of \$564,000 from the Archdiocese for each of the years ended June 30, 2018 and 2017, 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 included the following:

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Building | \$ 712,784 | \$ 712,784 |
| Building and grounds improvements | 3,357,406 | 3,357,406 |
| Grounds equipment | 249,514 | 249,514 |
| Office furniture and equipment | 135,931 | 135,931 |
| Computer equipment | 14,879 | 10,785 |
| Transportation equipment | <u>21,252</u> | <u>21,252</u> |
| Total property and equipment | 4,491,766 | 4,487,672 |
| Less: Accumulated depreciation and amortization | <u>(1,870,647)</u> | <u>(1,650,219)</u> |
| PROPERTY AND EQUIPMENT, NET | \$ <u>2,621,119</u> | \$ <u>2,837,453</u> |

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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

8. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the years ended June 30, 2018 and 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Common Stocks/Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed income - Taxable and Tax Exempt* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by St. Ann's are open-end mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily value and to transact at that price. Mutual funds held by St. Ann's are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, St. Ann's investments as of June 30, 2018:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|----------------------------|--------------------|--------------------|----------------------------|
| Asset Class: | | | | |
| Taxable fixed Income | \$ 2,000,010 | \$ - | \$ - | \$ 2,000,010 |
| Domestic Equities | 3,508,181 | - | - | 3,508,181 |
| International Equities | 213,525 | - | - | 213,525 |
| Mutual Funds, CTFs & UITs | 603,963 | - | - | 603,963 |
| Tax-Exempt Fixed Income | 96,965 | - | - | 96,965 |
| Assets held in Trust | <u>279,772</u> | <u>-</u> | <u>-</u> | <u>279,772</u> |
| TOTAL | <u>\$ 6,702,416</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,702,416</u> |

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

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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

10. SUBSEQUENT EVENTS

In preparing these combined financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through October 17, 2018, 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, 2018

| | St. Ann's | St. Ann's Trust | Eliminations | Combined |
|---|----------------------------|----------------------------|--------------------|-----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 917,855 | \$ - | \$ - | \$ 917,855 |
| Investments | 490,253 | 5,932,391 | - | 6,422,644 |
| Pledges receivable | 70,234 | - | - | 70,234 |
| Accounts receivable | 82,499 | - | - | 82,499 |
| Prepaid expenses | 26,985 | - | - | 26,985 |
| Property and equipment, net of accumulated depreciation and amortization of \$1,870,647 | 2,621,119 | - | - | 2,621,119 |
| Assets held in Trust | 279,772 | - | - | 279,772 |
| TOTAL ASSETS | <u>\$ 4,488,717</u> | <u>\$ 5,932,391</u> | <u>\$ -</u> | <u>\$ 10,421,108</u> |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| Accounts payable and other accrued expenses | \$ 44,127 | \$ - | \$ - | \$ 44,127 |
| Accrued payroll expenses | 96,210 | - | - | 96,210 |
| Accrued vacation benefits | 110,791 | - | - | 110,791 |
| Other current liabilities | 1,707 | - | - | 1,707 |
| Total liabilities | 252,835 | - | - | 252,835 |
| NET ASSETS | | | | |
| Unrestricted: | | | | |
| Undesignated | 1,108,259 | - | - | 1,108,259 |
| Designated for long-term investment | - | 5,932,391 | - | 5,932,391 |
| Property and equipment | 920,257 | - | - | 920,257 |
| Total unrestricted net assets | 2,028,516 | 5,932,391 | - | 7,960,907 |
| Temporarily restricted | 2,207,366 | - | - | 2,207,366 |
| Total net assets | 4,235,882 | 5,932,391 | - | 10,168,273 |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,488,717</u> | <u>\$ 5,932,391</u> | <u>\$ -</u> | <u>\$ 10,421,108</u> |

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, 2018

| | <u>St. Ann's</u> | <u>St. Ann's Trust</u> | <u>Eliminations</u> | <u>Combined</u> |
|--------------------------------------|----------------------------|----------------------------|---------------------|-----------------------------|
| REVENUE | | | | |
| Program Service Fees - Private | \$ 521,267 | \$ - | \$ - | \$ 521,267 |
| Program Service Fees - Government | | | | |
| Agencies | 670,517 | - | - | 670,517 |
| Public support | 2,012,607 | 14,469 | - | 2,027,076 |
| Investment income | 47,896 | 552,842 | - | 600,738 |
| Contributed services and materials | 708,000 | - | - | 708,000 |
| Rental income | 179,840 | - | - | 179,840 |
| Special events | 363,670 | - | - | 363,670 |
| Other revenue | 2,586 | - | - | 2,586 |
| | <u>4,506,383</u> | <u>567,311</u> | <u>-</u> | <u>5,073,694</u> |
| Total revenue | | | | |
| EXPENSES | | | | |
| Program Services: | | | | |
| Day Care | 1,139,446 | - | - | 1,139,446 |
| Adolescent Mothers and Babies | 1,289,543 | - | - | 1,289,543 |
| Education/ Employment | 361,286 | - | - | 361,286 |
| Transitional Housing | 826,870 | - | - | 826,870 |
| | <u>3,617,145</u> | <u>-</u> | <u>-</u> | <u>3,617,145</u> |
| Total program services | | | | |
| Supporting Services: | | | | |
| General and Administrative | 586,475 | - | - | 586,475 |
| Fundraising | 423,342 | - | - | 423,342 |
| | <u>1,009,817</u> | <u>-</u> | <u>-</u> | <u>1,009,817</u> |
| Total supporting services | | | | |
| Total expenses | <u>4,626,962</u> | <u>-</u> | <u>-</u> | <u>4,626,962</u> |
| Change in net assets | (120,579) | 567,311 | - | 446,732 |
| Net assets at beginning of year | 4,356,461 | 5,365,080 | - | 9,721,541 |
| NET ASSETS AT END OF THE YEAR | <u>\$ 4,235,882</u> | <u>\$ 5,932,391</u> | <u>\$ -</u> | <u>\$ 10,168,273</u> |