

COMBINED FINANCIAL STATEMENTS

**ST. ANN'S INFANT AND MATERNITY HOME
AND ST. ANN'S DONOR TRUST**

**FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

ST. ANN'S INFANT AND MATERNITY HOME 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, 2015 and 2014, 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. 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, 2015 and 2014, 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 19 and 20 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.

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

October 12, 2015

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 605,973	\$ 760,905
Investments	6,000,333	5,704,679
Pledges receivable	223,213	245,710
Accrued interest receivable	-	12,145
Accounts receivable, net of allowance for uncollectable accounts of \$15,000	301,135	29,995
Food inventory	-	8,138
Prepaid expenses	16,831	30,325
Property and equipment, net of accumulated depreciation and amortization of \$1,203,878 and \$4,160,739, respectively	2,847,661	2,867,471
Assets held in Trust	<u>300,745</u>	<u>320,577</u>
TOTAL ASSETS	<u>\$ 10,295,891</u>	<u>\$ 9,979,945</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and other accrued expenses	\$ 68,051	\$ 84,135
Accrued payroll expenses	93,906	67,530
Accrued vacation benefits	118,573	102,678
Other current liabilities	<u>825</u>	<u>3,246</u>
Total liabilities	<u>281,355</u>	<u>257,589</u>

NET ASSETS

Unrestricted:		
Undesignated	2,076,834	1,514,435
Designated for long-term investment	<u>5,134,138</u>	<u>5,581,345</u>
Total unrestricted net assets	7,210,972	7,095,780
Temporarily restricted	<u>2,803,564</u>	<u>2,626,576</u>
Total net assets	<u>10,014,536</u>	<u>9,722,356</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,295,891</u>	<u>\$ 9,979,945</u>

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Program Service Fees - Private	\$ 633,991	\$ -	\$ 633,991
Program Service Fees - Government Agencies	610,787	-	610,787
Public support	1,413,676	1,202,133	2,615,809
Investment income	126,428	-	126,428
Contributed services and materials	708,000	-	708,000
Rental income (Note 4)	44,194	-	44,194
Special events	219,893	-	219,893
Other revenue	136,890	-	136,890
Net assets released from donor restrictions	<u>1,025,145</u>	<u>(1,025,145)</u>	<u>-</u>
Total revenue	<u>4,919,004</u>	<u>176,988</u>	<u>5,095,992</u>
EXPENSES			
Program Services:			
Day Care	1,132,484	-	1,132,484
Adolescent Mothers and Babies	1,474,812	-	1,474,812
Education/ Employment	481,426	-	481,426
Food Service	86,765	-	86,765
Transitional Housing	<u>702,979</u>	<u>-</u>	<u>702,979</u>
Total program services	<u>3,878,466</u>	<u>-</u>	<u>3,878,466</u>
Supporting Services:			
General and Administrative	665,312	-	665,312
Fundraising	<u>260,034</u>	<u>-</u>	<u>260,034</u>
Total supporting services	<u>925,346</u>	<u>-</u>	<u>925,346</u>
Total expenses	<u>4,803,812</u>	<u>-</u>	<u>4,803,812</u>
Changes in net assets	115,192	176,988	292,180
Net assets at beginning of year	<u>7,095,780</u>	<u>2,626,576</u>	<u>9,722,356</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,210,972</u>	<u>\$ 2,803,564</u>	<u>\$ 10,014,536</u>

2014		
Unrestricted	Temporarily Restricted	Total
\$ 631,320	\$ -	\$ 631,320
599,846	-	599,846
1,177,192	796,413	1,973,605
780,129	-	780,129
708,000	-	708,000
29,895	-	29,895
234,921	-	234,921
704	-	704
<u>1,043,952</u>	<u>(1,043,952)</u>	<u>-</u>
<u>5,205,959</u>	<u>(247,539)</u>	<u>4,958,420</u>
1,049,514	-	1,049,514
1,505,322	-	1,505,322
457,571	-	457,571
72,917	-	72,917
<u>628,667</u>	<u>-</u>	<u>628,667</u>
<u>3,713,991</u>	<u>-</u>	<u>3,713,991</u>
629,569	-	629,569
<u>244,562</u>	<u>-</u>	<u>244,562</u>
<u>874,131</u>	<u>-</u>	<u>874,131</u>
<u>4,588,122</u>	<u>-</u>	<u>4,588,122</u>
617,837	(247,539)	370,298
<u>6,477,943</u>	<u>2,874,115</u>	<u>9,352,058</u>
<u>\$ 7,095,780</u>	<u>\$ 2,626,576</u>	<u>\$ 9,722,356</u>

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program Services</u>			
	<u>Day Care</u>	<u>Adolescent Mothers and Babies</u>	<u>Education/ Employment</u>	<u>Food Service</u>
Salaries and related expenses	\$ 835,282	\$ 811,246	\$ 319,791	\$ 103,311
Printing and production	-	-	-	-
Professional fundraisers	-	-	-	-
Contract services	948	34,783	18,984	30
Rent	135,360	163,560	50,760	50,760
Professional fees	1,644	23,592	515	-
Insurance	17,593	21,258	6,597	6,597
Depreciation	45,858	55,411	17,197	17,197
Postage and delivery	-	-	-	-
Utilities	41,162	52,121	15,252	14,496
Supplies	9,794	18,798	7,339	44,427
Meetings and conventions	-	2,520	-	-
Advertising and promotion	-	-	-	-
Events and meetings	-	-	-	-
Maintenance	42,375	56,880	15,917	15,917
Contributed services	-	50,400	28,800	-
Transportation	-	3,091	-	-
Other	<u>2,468</u>	<u>15,007</u>	<u>274</u>	<u>175</u>
Sub-total	1,132,484	1,308,667	481,426	252,910
Allocation of food service	<u>-</u>	<u>166,145</u>	<u>-</u>	<u>(166,145)</u>
TOTAL	<u>\$ 1,132,484</u>	<u>\$ 1,474,812</u>	<u>\$ 481,426</u>	<u>\$ 86,765</u>

		Supporting Services				
Transitional Housing	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	
\$ 459,759	\$ 2,529,389	\$ 221,007	\$ 191,992	\$ 412,999	\$ 2,942,388	
-	-	1,360	19,425	20,785	20,785	
-	-	-	2,925	2,925	2,925	
33,732	88,477	60,752	-	60,752	149,229	
56,400	456,840	107,160	-	107,160	564,000	
62	25,813	84,183	-	84,183	109,996	
7,330	59,375	13,928	-	13,928	73,303	
37,134	172,797	36,304	-	36,304	209,101	
-	-	3,850	1,040	4,890	4,890	
29,509	152,540	36,886	-	36,886	189,426	
4,056	84,414	16,047	1,057	17,104	101,518	
-	2,520	-	1,004	1,004	3,524	
-	-	201	33	234	234	
-	-	-	42,414	42,414	42,414	
23,654	154,743	38,152	-	38,152	192,895	
50,400	129,600	14,400	-	14,400	144,000	
536	3,627	3,001	-	3,001	6,628	
407	18,331	28,081	144	28,225	46,556	
702,979	3,878,466	665,312	260,034	925,346	4,803,812	
-	-	-	-	-	-	
\$ 702,979	\$ 3,878,466	\$ 665,312	\$ 260,034	\$ 925,346	\$ 4,803,812	

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Services</u>			
	<u>Day Care</u>	<u>Adolescent Mothers and Babies</u>	<u>Education/ Employment</u>	<u>Food Service</u>
Salaries and related expenses	\$ 761,906	\$ 819,719	\$ 304,530	\$ 97,907
Printing and production	-	-	-	-
Professional fundraisers	-	-	-	-
Contract services	3,855	36,801	19,930	471
Rent	135,650	163,500	45,550	55,820
Professional fees	681	40,781	677	-
Insurance	17,121	20,687	5,765	7,075
Depreciation	45,081	54,472	15,027	18,784
Postage and delivery	-	-	-	-
Utilities	42,318	53,320	14,322	16,815
Supplies	4,981	17,017	10,180	44,554
Meetings and conventions	-	69	-	-
Advertising and promotion	-	1,041	-	-
Events and meetings	-	-	-	-
Maintenance	36,610	44,244	12,236	15,241
Contributed services	-	50,400	28,800	-
Transportation	-	5,344	-	-
Other	<u>1,311</u>	<u>13,972</u>	<u>554</u>	<u>205</u>
Sub-total	1,049,514	1,321,367	457,571	256,872
Allocation of food service	<u>-</u>	<u>183,955</u>	<u>-</u>	<u>(183,955)</u>
TOTAL	<u>\$ 1,049,514</u>	<u>\$ 1,505,322</u>	<u>\$ 457,571</u>	<u>\$ 72,917</u>

Supporting Services						
Transitional Housing	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	
\$ 389,957	\$ 2,374,019	\$ 230,810	\$ 160,913	\$ 391,723	\$	2,765,742
-	-	9,093	12,660	21,753		21,753
-	-	-	37,077	37,077		37,077
29,948	91,005	17,240	-	17,240		108,245
56,480	457,000	107,000	-	107,000		564,000
921	43,060	60,476	-	60,476		103,536
7,134	57,782	13,554	-	13,554		71,336
36,811	170,175	35,688	-	35,688		205,863
-	-	3,751	3,877	7,628		7,628
29,500	156,275	36,451	-	36,451		192,726
2,986	79,718	21,967	33	22,000		101,718
8	77	-	1,207	1,207		1,284
-	1,041	271	-	271		1,312
-	-	-	27,049	27,049		27,049
23,990	132,321	63,247	878	64,125		196,446
50,400	129,600	14,400	-	14,400		144,000
425	5,769	919	-	919		6,688
<u>107</u>	<u>16,149</u>	<u>14,702</u>	<u>868</u>	<u>15,570</u>		<u>31,719</u>
628,667	3,713,991	629,569	244,562	874,131		4,588,122
-	-	-	-	-		-
<u>\$ 628,667</u>	<u>\$ 3,713,991</u>	<u>\$ 629,569</u>	<u>\$ 244,562</u>	<u>\$ 874,131</u>	<u>\$</u>	<u>4,588,122</u>

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 292,180	\$ 370,298
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	209,101	205,863
Realized gain on sale of investments	(516,544)	(275,188)
Unrealized loss (gain) on investments	485,454	(357,775)
In-kind leasehold improvements	-	(6,510)
Increase in bond premium	(48,134)	(6,086)
(Increase) decrease in assets held in Trust	19,832	(53,445)
(Increase) decrease in:		
Pledges receivable	22,497	16,550
Accrued interest receivable	12,145	(6,530)
Accounts receivable	(271,140)	35,964
Food inventory	8,138	(2,222)
Prepaid expenses	13,494	(28,720)
Increase (decrease) in:		
Accounts payable and other accrued expenses	(16,084)	(29,701)
Accrued payroll expenses	26,376	3,187
Accrued vacation benefits	15,895	(19,020)
Refundable advance	-	(34,609)
Other current liabilities	<u>(2,421)</u>	<u>(2,286)</u>
Net cash provided (used) by operating activities	<u>250,789</u>	<u>(190,230)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(956,799)	(431,910)
Proceeds from sale of investments	740,369	945,590
Purchase of property and equipment	<u>(189,291)</u>	<u>(47,182)</u>
Net cash (used) provided by investing activities	<u>(405,721)</u>	<u>466,498</u>
Net (decrease) increase in cash and cash equivalents	(154,932)	276,268
Cash and cash equivalents at beginning of year	<u>760,905</u>	<u>484,637</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 605,973</u>	<u>\$ 760,905</u>

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The financial statements include the accounts of St. Ann's Center for Youth and Families (St. Ann's). 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, or to carry out the purposes of St. Ann's Center for Youth and Families. The Trust purposes are limited to exempt purposes as provided under Section 501(c)(3) of the Internal Revenue Code.

Basis of presentation -

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. Realized and unrealized gains and losses 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 and amortized on a straight-line basis over the estimated useful lives of the related assets, generally five to twenty years. The cost of maintenance and repairs is recorded as expenses are incurred.

Inventory -

Inventory consists of food for dietary services, which is recorded at the values established by the State of Maryland.

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

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.

Uncertain tax positions -

For the years ended June 30, 2015 and 2014, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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.
- **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 and grants -

Contributions 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.

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.

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

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, 2015 and 2014, advertising expense totaled \$234 and \$1,312, 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 year's combined financial statements have been reclassified to conform to the current year's combined presentation. These reclassifications had no effect on the previously reported change in net assets.

2. INVESTMENTS

Investments consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Common Stocks	\$ -	\$ 2,708,092
Domestic Equities	3,002,673	-
International Equities	178,595	-
Mutual Funds,CTFs & UITs	921,539	2,593,265
Corporate Obligations	-	403,322
Taxable Fixed Income	1,583,481	-
Tax-Exempt Fixed Income	<u>314,045</u>	<u>-</u>
TOTAL INVESTMENTS	<u>\$ 6,000,333</u>	<u>\$ 5,704,679</u>

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

2. INVESTMENTS (Continued)

Included in investment income are the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 123,030	\$ 177,506
Realized gain on sale of investments	516,544	275,188
Unrealized (loss) gain on investments	<u>(485,454)</u>	<u>357,775</u>
	154,120	810,469
Less: Investment fees	<u>(27,692)</u>	<u>(30,340)</u>
TOTAL INVESTMENT INCOME	<u>\$ 126,428</u>	<u>\$ 780,129</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets activity consisted of the following for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>2015 Additions</u>	<u>2015 Releases</u>	<u>Ending Balance</u>
Facility modernization	\$ 2,043,792	\$ 135,830	\$ (119,915)	\$ 2,059,707
Billerbeck Foundation	86,400	4,139	-	90,539
Time restricted	<u>496,384</u>	<u>1,062,164</u>	<u>(905,230)</u>	<u>653,318</u>
TOTAL	<u>\$ 2,626,576</u>	<u>\$ 1,202,133</u>	<u>\$ (1,025,145)</u>	<u>\$ 2,803,564</u>

Temporarily restricted net assets activity consisted of the following for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>2014 Additions</u>	<u>2014 Releases</u>	<u>Ending Balance</u>
Facility modernization	\$ 2,156,897	\$ 6,510	\$ (119,615)	\$ 2,043,792
Billerbeck Foundation	61,350	25,050	-	86,400
Time restricted	<u>655,868</u>	<u>764,853</u>	<u>(924,337)</u>	<u>496,384</u>
TOTAL	<u>\$ 2,874,115</u>	<u>\$ 796,413</u>	<u>\$ (1,043,952)</u>	<u>\$ 2,626,576</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 with no future minimum commitments due to the parties being on a month-to-month basis.

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. RELATED PARTY TRANSACTIONS

St. Ann's paid \$73,303 and \$71,336, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2015 and 2014. St. Ann's also received contributions of \$564,000 and \$564,000 from the Archdiocese for the years ended June 30, 2015 and 2014, 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 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 and \$144,000 for the years ended June 30, 2015 and 2014, respectively.

Contributed commodities -

St. Ann's receives certain commodities from the State of Maryland. The value of those contributed commodities is established by the state. The amount of commodities held at June 30, 2015 and 2014 is shown as food inventory in the accompanying Combined Statements of Financial Position.

7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 and 2014 included the following:

	<u>2015</u>	<u>2014</u>
Building	\$ 712,784	\$ 735,284
Building and grounds improvements	3,085,481	4,533,756
Grounds equipment	212,945	784,804
Furnishings	-	301,716
Office furniture and equipment	13,690	150,637
Computer equipment	5,387	353,342
Transportation equipment	<u>21,252</u>	<u>168,671</u>
Total property and equipment	4,051,539	7,028,210
Less: Accumulated depreciation	<u>(1,203,878)</u>	<u>(4,160,739)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 2,847,661</u>	<u>\$ 2,867,471</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.

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

8. FAIR VALUE MEASUREMENT (Continued)

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.

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, 2015 and 2014.

- *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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Domestic Equities	\$ 3,002,673	\$ -	\$ -	\$ 3,002,673
International Equities	178,595	-	-	178,595
Mutual Funds,CTFs & UITs	921,539	-	-	921,539
Taxable Fixed Income	1,583,481	-	-	1,583,481
Tax-Exempt Fixed Income	314,045	-	-	314,045
Assets held in Trust	<u>300,745</u>	<u>-</u>	<u>-</u>	<u>300,745</u>
TOTAL	<u>\$ 6,301,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,301,078</u>

The table below summarizes, by level within the fair value hierarchy, St. Ann's investments as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Common Stocks	\$ 2,708,092	\$ -	\$ -	\$ 2,708,092
Mutual Funds,CTFs & UITs	2,593,265	-	-	2,593,265
Corporate Obligations	403,322	-	-	403,322
Assets held in Trust	<u>320,577</u>	<u>-</u>	<u>-</u>	<u>320,577</u>
TOTAL	<u>\$ 6,025,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,025,256</u>

ST. ANN'S INFANT AND MATERNITY HOME AND ST. ANN'S DONOR TRUST

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

9. SPLIT INTEREST AGREEMENTS

Assets held in Trust consist of investments received from an outside donor held for a beneficiary other than St. Ann's. The beneficiary receives monthly payments from the Trust until the death of the beneficiary. Upon the death of the beneficiary, the remaining assets will be distributed to St. Ann's. St. Ann's has control over the management of the Trust investments. St. Ann's is also a party to a perpetual Trust establishing St. Ann's as a beneficiary. St. Ann's receives current income earned by the Trust. The corpus of the Trust will be held in-perpetuity by a third party. 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 12, 2015, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF COMBINED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2015

	St. Ann's	St. Ann's Trust	Eliminations	Consolidation
ASSETS				
Cash and cash equivalents	\$ 428,679	\$ 177,294	\$ -	\$ 605,973
Investments	1,043,489	4,956,844	-	6,000,333
Pledges receivable	223,213	-	-	223,213
Accounts receivable, net	301,135	-	-	301,135
Prepaid expenses	16,831	-	-	16,831
Property and equipment	2,847,661	-	-	2,847,661
Assets held in Trust	300,745	-	-	300,745
TOTAL ASSETS	\$ 5,161,753	\$ 5,134,138	\$ -	\$ 10,295,891
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and other accrued expenses	\$ 68,051	\$ -	\$ -	\$ 68,051
Accrued payroll expenses	93,906	-	-	93,906
Accrued vacation benefits	118,573	-	-	118,573
Other current liabilities	825	-	-	825
Total liabilities	281,355	-	-	281,355
NET ASSETS				
Unrestricted:				
Undesignated	1,629,627	-	-	1,629,627
Designated for long-term investment	447,207	5,134,138	-	5,581,345
Total unrestricted net assets	2,076,834	5,134,138	-	7,210,972
Temporarily restricted	2,803,564	-	-	2,803,564
Total net assets	4,880,398	5,134,138	-	10,014,536
TOTAL LIABILITIES AND NET ASSETS	\$ 5,161,753	\$ 5,134,138	\$ -	\$ 10,295,891

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

SCHEDULE OF COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	St. Ann's	St. Ann's Trust	Eliminations	Consolidation
REVENUE				
Program Service Fees - Private	\$ 633,991	\$ -	\$ -	\$ 633,991
Program Service Fees - Government				
Agencies	610,787	-	-	610,787
Public support	2,615,809	-	-	2,615,809
Investment income	(309,988)	436,416	-	126,428
Contributed services and materials	708,000	-	-	708,000
Rental income	44,194	-	-	44,194
Special events	219,893	-	-	219,893
Other revenue	136,890	-	-	136,890
	<u>4,659,576</u>	<u>436,416</u>	<u>-</u>	<u>5,095,992</u>
Total revenue				
EXPENSES				
Program Services:				
Day Care	1,132,484	-	-	1,132,484
Adolescent Mothers and Babies	1,474,812	-	-	1,474,812
Education/ Employment	481,426	-	-	481,426
Food Service	86,765	-	-	86,765
Transitional Housing	702,979	-	-	702,979
	<u>3,878,466</u>	<u>-</u>	<u>-</u>	<u>3,878,466</u>
Total program services				
Supporting Services:				
General and Administrative	665,312	-	-	665,312
Fundraising	260,034	-	-	260,034
	<u>925,346</u>	<u>-</u>	<u>-</u>	<u>925,346</u>
Total supporting services				
Total expenses	<u>4,803,812</u>	<u>-</u>	<u>-</u>	<u>4,803,812</u>
Change in net assets before other item	(144,236)	436,416	-	292,180
OTHER ITEM				
Transfer of net assets to Trust	(4,697,722)	4,697,722	-	-
Change in net assets	(4,841,958)	5,134,138	-	292,180
Net assets at beginning of year	9,722,356	-	-	9,722,356
NET ASSETS AT END OF THE YEAR	<u>\$ 4,880,398</u>	<u>\$ 5,134,138</u>	<u>\$ -</u>	<u>\$ 10,014,536</u>