

**COMBINED FINANCIAL STATEMENTS**

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

**FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

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

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Combined Statements of Financial Position, as of June 30, 2016 and 2015	4
EXHIBIT B - Combined Statements of Activities and Changes in Net Assets, for the Years Ended June 30, 2016 and 2015	5 - 6
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended June 30, 2016	7 - 8
EXHIBIT D - Combined Statement of Functional Expenses, for the Year Ended June 30, 2015	9 - 10
EXHIBIT E - Combined Statements of Cash Flows, for the Years Ended June 30, 2016 and 2015	11
NOTES TO COMBINED FINANCIAL STATEMENTS	12 - 18
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Combining Statement of Financial Position, as of June 30, 2016	19
SCHEDULE 2 - Combining Statement of Activities and Change in Net Assets, for the Year Ended June 30, 2016	20



### 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, 2016 and 2015, 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, 2016 and 2015, 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

### 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 19, 2016

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

COMBINED STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2016 AND 2015

## ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 440,695	\$ 605,973
Investments	5,872,212	6,000,333
Pledges receivable	285,006	223,213
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$15,000 at June 30, 2016 and 2015, respectively	7,058	301,135
Prepaid expenses	8,949	16,831
Property and equipment, net of accumulated depreciation and amortization of \$1,421,774 and \$1,203,878, respectively	2,931,985	2,847,661
Other	9,720	-
Assets held in Trust	<u>248,765</u>	<u>300,745</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,804,390</u></b>	<b><u>\$ 10,295,891</u></b>

## LIABILITIES AND NET ASSETS

## LIABILITIES

Accounts payable and other accrued expenses	\$ 48,034	\$ 68,051
Accrued payroll expenses	105,200	93,906
Accrued vacation benefits	109,898	118,573
Other current liabilities	<u>450</u>	<u>825</u>
Total liabilities	<u>263,582</u>	<u>281,355</u>

## NET ASSETS

Unrestricted:		
Undesignated	888,457	1,288,880
Designated for long-term investment	5,100,820	5,134,138
Invested in property and equipment	<u>991,893</u>	<u>787,954</u>
Total unrestricted net assets	6,981,170	7,210,972
Temporarily restricted	<u>2,559,638</u>	<u>2,803,564</u>
Total net assets	<u>9,540,808</u>	<u>10,014,536</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,804,390</u></b>	<b><u>\$ 10,295,891</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, 2016 AND 2015**

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Program Service Fees - Private	\$ 781,579	\$ -	\$ 781,579
Program Service Fees - Government Agencies	569,332	-	569,332
Public support	896,118	852,518	1,748,636
Investment income	271,254	-	271,254
Contributed services and materials	708,000	-	708,000
Rental income	27,185	-	27,185
Special events	300,293	-	300,293
Other revenue	(12,057)	-	(12,057)
Net assets released from donor restrictions	<u>1,096,444</u>	<u>(1,096,444)</u>	<u>-</u>
Total revenue	<u>4,638,148</u>	<u>(243,926)</u>	<u>4,394,222</u>
<b>EXPENSES</b>			
Program Services:			
Day Care	1,189,211	-	1,189,211
Adolescent Mothers and Babies	1,434,881	-	1,434,881
Education/ Employment	464,350	-	464,350
Food Service	66,113	-	66,113
Transitional Housing	<u>826,875</u>	<u>-</u>	<u>826,875</u>
Total program services	<u>3,981,430</u>	<u>-</u>	<u>3,981,430</u>
Supporting Services:			
General and Administrative	615,046	-	615,046
Fundraising	<u>271,474</u>	<u>-</u>	<u>271,474</u>
Total supporting services	<u>886,520</u>	<u>-</u>	<u>886,520</u>
Total expenses	<u>4,867,950</u>	<u>-</u>	<u>4,867,950</u>
Changes in net assets	(229,802)	(243,926)	(473,728)
Net assets at beginning of year	<u>7,210,972</u>	<u>2,803,564</u>	<u>10,014,536</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 6,981,170</u></b>	<b><u>\$ 2,559,638</u></b>	<b><u>\$ 9,540,808</u></b>

<b>2015</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 633,991	\$ -	\$ 633,991
610,787	-	610,787
1,413,676	1,202,133	2,615,809
126,428	-	126,428
708,000	-	708,000
44,194	-	44,194
219,893	-	219,893
136,890	-	136,890
<u>1,025,145</u>	<u>(1,025,145)</u>	<u>-</u>
<u>4,919,004</u>	<u>176,988</u>	<u>5,095,992</u>
1,132,484	-	1,132,484
1,474,812	-	1,474,812
481,426	-	481,426
86,765	-	86,765
<u>702,979</u>	<u>-</u>	<u>702,979</u>
<u>3,878,466</u>	<u>-</u>	<u>3,878,466</u>
665,312	-	665,312
<u>260,034</u>	<u>-</u>	<u>260,034</u>
<u>925,346</u>	<u>-</u>	<u>925,346</u>
<u>4,803,812</u>	<u>-</u>	<u>4,803,812</u>
115,192	176,988	292,180
<u>7,095,780</u>	<u>2,626,576</u>	<u>9,722,356</u>
<b><u>\$ 7,210,972</u></b>	<b><u>\$ 2,803,564</u></b>	<b><u>\$ 10,014,536</u></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

	<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	\$ 945,147	\$ 815,235	\$ 355,947	\$ 110,336
Printing and production	-	-	-	-
Contract services	2,315	51,565	4,746	-
Rent	112,800	135,360	45,120	45,120
Professional fees	511	19,535	-	-
Insurance	14,312	17,174	5,725	5,725
Depreciation	39,781	47,737	15,912	15,912
Postage and delivery	-	-	-	-
Utilities	33,527	42,540	13,411	13,411
Supplies	5,254	12,197	2,058	34,554
Meetings and conventions	-	190	-	-
Advertising and promotion	-	-	-	-
Events and meetings	-	-	-	-
Maintenance	33,906	40,688	13,790	14,158
Contributed services	-	64,800	7,200	-
Transportation	-	-	-	-
Other	<u>1,658</u>	<u>14,494</u>	<u>441</u>	<u>263</u>
Sub-total	1,189,211	1,261,515	464,350	239,479
Allocation of food service	<u>-</u>	<u>173,366</u>	<u>-</u>	<u>(173,366)</u>
<b>TOTAL</b>	<b><u>\$ 1,189,211</u></b>	<b><u>\$ 1,434,881</u></b>	<b><u>\$ 464,350</u></b>	<b><u>\$ 66,113</u></b>

		<b>Supporting Services</b>					
<b>Transitional Housing</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>		
\$ 402,695	\$ 2,629,360	\$ 246,429	\$ 195,358	\$ 441,787	\$ 3,071,147		
-	-	213	13,386	13,599	13,599		
33,288	91,914	38,185	9,590	47,775	139,689		
141,000	479,400	84,600	-	84,600	564,000		
-	20,046	42,227	242	42,469	62,515		
17,890	60,826	10,734	-	10,734	71,560		
68,719	188,061	29,835	-	29,835	217,896		
-	-	4,802	5,281	10,083	10,083		
52,553	155,442	23,923	-	23,923	179,365		
5,003	59,066	46,911	3,564	50,475	109,541		
-	190	-	1,183	1,183	1,373		
-	-	-	7,745	7,745	7,745		
-	-	-	34,054	34,054	34,054		
48,127	150,669	46,163	-	46,163	196,832		
57,600	129,600	14,400	-	14,400	144,000		
-	-	6,579	298	6,877	6,877		
-	<u>16,856</u>	<u>20,045</u>	<u>773</u>	<u>20,818</u>	<u>37,674</u>		
826,875	3,981,430	615,046	271,474	886,520	4,867,950		
-	-	-	-	-	-		
<b><u>\$ 826,875</u></b>	<b><u>\$ 3,981,430</u></b>	<b><u>\$ 615,046</u></b>	<b><u>\$ 271,474</u></b>	<b><u>\$ 886,520</u></b>	<b><u>\$ 4,867,950</u></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, 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>
<b>TOTAL</b>	<b><u>\$ 1,132,484</u></b>	<b><u>\$ 1,474,812</u></b>	<b><u>\$ 481,426</u></b>	<b><u>\$ 86,765</u></b>

<b>Supporting Services</b>						
<b>Transitional Housing</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	
\$ 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	
<u>407</u>	<u>18,331</u>	<u>28,081</u>	<u>144</u>	<u>28,225</u>	<u>46,556</u>	
702,979	3,878,466	665,312	260,034	925,346	4,803,812	
-	-	-	-	-	-	
<b><u>\$ 702,979</u></b>	<b><u>\$ 3,878,466</u></b>	<b><u>\$ 665,312</u></b>	<b><u>\$ 260,034</u></b>	<b><u>\$ 925,346</u></b>	<b><u>\$ 4,803,812</u></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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (473,728)	\$ 292,180
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	217,896	209,101
Realized gain on sale of investments	(301,337)	(516,544)
Unrealized loss on investments	182,882	485,454
Decrease (increase) in bond premium	48,198	(48,134)
Decrease in assets held in Trust	51,980	19,832
(Increase) decrease in:		
Pledges receivable	(61,793)	22,497
Accrued interest receivable	-	12,145
Accounts receivable	294,077	(271,140)
Food inventory	-	8,138
Prepaid expenses	7,882	13,494
Other	(9,720)	-
Increase (decrease) in:		
Accounts payable and other accrued expenses	(20,017)	(16,084)
Accrued payroll expenses	11,294	26,376
Accrued vacation benefits	(8,675)	15,895
Other current liabilities	<u>(375)</u>	<u>(2,421)</u>
Net cash (used) provided by operating activities	<u>(61,436)</u>	<u>250,789</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(455,052)	(956,799)
Proceeds from sale of investments	653,430	740,369
Purchase of property and equipment	<u>(302,220)</u>	<u>(189,291)</u>
Net cash used by investing activities	<u>(103,842)</u>	<u>(405,721)</u>
Net decrease in cash and cash equivalents	(165,278)	(154,932)
Cash and cash equivalents at beginning of year	<u>605,973</u>	<u>760,905</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 440,695</u></b>	<b><u>\$ 605,973</u></b>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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, 2016 AND 2015

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.

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, 2016 and 2015, 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 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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

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.

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.

2. **INVESTMENTS**

Investments consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Domestic Equities	\$ 3,150,357	\$ 3,002,673
International Equities	182,904	178,595
Mutual Funds,CTFs & UITs	567,141	921,539
Taxable Fixed Income	1,791,307	1,583,481
Tax-Exempt Fixed Income	<u>180,503</u>	<u>314,045</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 5,872,212</u></b>	<b><u>\$ 6,000,333</u></b>

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

2. INVESTMENTS (Continued)

Included in investment income are the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 181,858	\$ 111,268
Realized gain on sale of investments	301,337	516,544
Unrealized loss on investments	<u>(182,882)</u>	<u>(485,454)</u>
	300,313	142,358
Less: Investment fees	<u>(29,059)</u>	<u>(15,930)</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 271,254</u></b>	<b><u>\$ 126,428</u></b>

3. TEMPORARILY RESTRICTED NET ASSETS

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>

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>
<b>TOTAL</b>	<b><u>\$ 2,626,576</u></b>	<b><u>\$ 1,202,133</u></b>	<b><u>\$ (1,025,145)</u></b>	<b><u>\$ 2,803,564</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, 2016 and 2015, was \$27,185 and \$44,194, respectively.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**5. RELATED PARTY TRANSACTIONS**

St. Ann's paid \$71,560 and \$73,303, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2016 and 2015. St. Ann's also received contributions of \$564,000 and \$564,000 from the Archdiocese for the years ended June 30, 2016 and 2015, 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 and \$144,000 for the years ended June 30, 2016 and 2015, respectively.

**7. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2016 and 2015 included the following:

	<u>2016</u>	<u>2015</u>
Building	\$ 712,784	\$ 712,784
Building and grounds improvements	3,223,493	3,085,481
Grounds equipment	249,514	212,945
Office furniture and equipment	135,931	13,690
Computer equipment	10,785	5,387
Transportation equipment	<u>21,252</u>	<u>21,252</u>
Total property and equipment	4,353,759	4,051,539
Less: Accumulated depreciation and amortization	<u>(1,421,774)</u>	<u>(1,203,878)</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b><u>\$ 2,931,985</u></b>	<b><u>\$ 2,847,661</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.

**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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

8. FAIR VALUE MEASUREMENT (Continued)

**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, 2016 and 2015.

- *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, 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>

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>
<b>Asset Class:</b>				
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>
<b>TOTAL</b>	<b><u>\$ 6,301,078</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,301,078</u></b>

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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**10. SUBSEQUENT EVENTS**

In preparing these combined financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through October 19, 2016, 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, 2016**

	St. Ann's	St. Ann's Trust	Eliminations	Consolidation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 440,695	\$ -	\$ -	\$ 440,695
Investments	771,392	5,100,820	-	5,872,212
Pledges receivable	285,006	-	-	285,006
Accounts receivable, net	7,058	-	-	7,058
Prepaid expenses	8,949	-	-	8,949
Property and equipment	2,931,985	-	-	2,931,985
Other assets	9,720	-	-	9,720
Assets held in Trust	248,765	-	-	248,765
<b>TOTAL ASSETS</b>	<b>\$ 4,703,570</b>	<b>\$ 5,100,820</b>	<b>\$ -</b>	<b>\$ 9,804,390</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable and other accrued expenses	\$ 48,034	\$ -	\$ -	\$ 48,034
Accrued payroll expenses	105,200	-	-	105,200
Accrued vacation benefits	109,898	-	-	109,898
Other current liabilities	450	-	-	450
Total liabilities	263,582	-	-	263,582
<b>NET ASSETS</b>				
Unrestricted:				
Undesignated	1,880,350	-	-	1,880,350
Designated for long-term investment	-	5,100,820	-	5,100,820
Total unrestricted net assets	1,880,350	5,100,820	-	6,981,170
Temporarily restricted	2,559,638	-	-	2,559,638
Total net assets	4,439,988	5,100,820	-	9,540,808
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,703,570</b>	<b>\$ 5,100,820</b>	<b>\$ -</b>	<b>\$ 9,804,390</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, 2016

	St. Ann's	St. Ann's Trust	Eliminations	Consolidation
<b>REVENUE</b>				
Program Service Fees - Private	\$ 781,579	\$ -	\$ -	\$ 781,579
Program Service Fees - Government Agencies	569,332	-	-	569,332
Public support	1,734,398	14,238	-	1,748,636
Investment income	68,111	203,143	-	271,254
Contributed services and materials	708,000	-	-	708,000
Rental income	27,185	-	-	27,185
Special events	300,293	-	-	300,293
Other revenue	(12,097)	-	-	(12,097)
Total revenue	<u>4,176,801</u>	<u>217,381</u>	<u>-</u>	<u>4,394,182</u>
<b>EXPENSES</b>				
Program Services:				
Day Care	1,189,211	-	-	1,189,211
Adolescent Mothers and Babies	1,261,515	-	-	1,261,515
Education/ Employment	464,350	-	-	464,350
Food Service	239,479	-	-	239,479
Transitional Housing	826,875	-	-	826,875
Total program services	<u>3,981,430</u>	<u>-</u>	<u>-</u>	<u>3,981,430</u>
Supporting Services:				
General and Administrative	615,046	-	-	615,046
Fundraising	271,434	-	-	271,434
Total supporting services	<u>886,480</u>	<u>-</u>	<u>-</u>	<u>886,480</u>
Total expenses	<u>4,867,910</u>	<u>-</u>	<u>-</u>	<u>4,867,910</u>
Change in net assets before other item	(691,109)	217,381	-	(473,728)
<b>OTHER ITEM</b>				
Transfer of net assets to Trust	250,699	(250,699)	-	-
Change in net assets	(440,410)	(33,318)	-	(473,728)
Net assets at beginning of year	4,880,398	5,134,138	-	10,014,536
<b>NET ASSETS AT END OF THE YEAR</b>	<b><u>\$ 4,439,988</u></b>	<b><u>\$ 5,100,820</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,540,808</u></b>