

**FINANCIAL STATEMENTS**

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

**FOR THE YEARS ENDED  
JUNE 30, 2014 AND 2013**

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

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of St. Ann's Center for Children, Youth and Families (St. Ann's), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 financial statements referred to above present fairly, in all material respects, the financial position of St. Ann's as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

October 21, 2014

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

STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2014 AND 2013

## ASSETS

|   | <u>2014</u>                | <u>2013</u>                |
|---|----------------------------|----------------------------|
| Cash and cash equivalents   | \$ 760,905                 | \$ 484,637                 |
| Investments (Notes 2 and 8)   | 5,704,679                  | 5,579,310                  |
| Pledges receivable  | 245,710                    | 262,260                    |
| Accrued interest receivable   | 12,145                     | 5,615                      |
| Accounts receivable, net of allowance for uncollectible accounts of \$15,000                                  | 29,995                     | 65,959                     |
| Food inventory (Note 6)   | 8,138                      | 5,916                      |
| Prepaid expenses  | 30,325                     | 1,605                      |
| Property and equipment, net of accumulated depreciation of \$4,160,739 and \$3,954,876, respectively (Note 7) | 2,867,471                  | 3,019,642                  |
| Assets held in Trust (Notes 8 and 9)  | <u>320,577</u>             | <u>267,132</u>             |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 9,979,945</u></b> | <b><u>\$ 9,692,076</u></b> |

## LIABILITIES AND NET ASSETS

## LIABILITIES

|   |                |                |
|---|----------------|----------------|
| Accounts payable and other accrued expenses | \$ 84,135      | \$ 113,836     |
| Accrued payroll expenses                    | 67,530         | 64,343         |
| Accrued vacation benefits                   | 102,678        | 121,698        |
| Refundable advance                          | -              | 34,609         |
| Other current liabilities                   | <u>3,246</u>   | <u>5,532</u>   |
| Total liabilities                           | <u>257,589</u> | <u>340,018</u> |

## NET ASSETS

|   |                            |                            |
|---|----------------------------|----------------------------|
| Unrestricted:                           |                            |                            |
| Undesignated                            | 1,514,435                  | 896,598                    |
| Designated for long-term investment     | <u>5,581,345</u>           | <u>5,581,345</u>           |
| Total unrestricted net assets           | 7,095,780                  | 6,477,943                  |
| Temporarily restricted (Note 3)         | <u>2,626,576</u>           | <u>2,874,115</u>           |
| Total net assets                        | <u>9,722,356</u>           | <u>9,352,058</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b><u>\$ 9,979,945</u></b> | <b><u>\$ 9,692,076</u></b> |

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

|  | <b>2014</b>                |                                   |                            |
|--|----------------------------|-----------------------------------|----------------------------|
|  | <b>Unrestricted</b>        | <b>Temporarily<br/>Restricted</b> | <b>Total</b>               |
| <b>REVENUE</b>                                       |                            |                                   |                            |
| Program Service Fees - Private                       | \$ 630,879                 | \$ -                              | \$ 630,879                 |
| Program Service Fees - Government Agencies           | 599,846                    | -                                 | 599,846                    |
| Public support                                       | 1,177,192                  | 796,413                           | 1,973,605                  |
| Investment income (Note 2)                           | 780,129                    | -                                 | 780,129                    |
| Contributed services and materials (Notes 5 and 6)   | 708,000                    | -                                 | 708,000                    |
| Rental income (Note 4)                               | 29,895                     | -                                 | 29,895                     |
| Special events                                       | 234,921                    | -                                 | 234,921                    |
| Other revenue  | 1,145                      | -                                 | 1,145                      |
| Net assets released from donor restrictions (Note 3) | <u>1,043,952</u>           | <u>(1,043,952)</u>                | <u>-</u>                   |
| Total revenue  | <u>5,205,959</u>           | <u>(247,539)</u>                  | <u>4,958,420</u>           |
| <b>EXPENSES</b>                                      |                            |                                   |                            |
| Program Services:                                    |                            |                                   |                            |
| Children   | -                          | -                                 | -                          |
| Day Care   | 1,049,514                  | -                                 | 1,049,514                  |
| Adolescent Mothers and Babies                        | 1,505,322                  | -                                 | 1,505,322                  |
| Education/ Employment                                | 457,571                    | -                                 | 457,571                    |
| Food Service   | 72,917                     | -                                 | 72,917                     |
| Transitional Housing                                 | <u>628,667</u>             | <u>-</u>                          | <u>628,667</u>             |
| Total program services                               | <u>3,713,991</u>           | <u>-</u>                          | <u>3,713,991</u>           |
| Supporting Services:                                 |                            |                                   |                            |
| General and Administrative                           | 629,569                    | -                                 | 629,569                    |
| Fundraising  | <u>244,562</u>             | <u>-</u>                          | <u>244,562</u>             |
| Total supporting services                            | <u>874,131</u>             | <u>-</u>                          | <u>874,131</u>             |
| Total expenses                                       | <u>4,588,122</u>           | <u>-</u>                          | <u>4,588,122</u>           |
| Changes in net assets                                | 617,837                    | (247,539)                         | 370,298                    |
| Net assets at beginning of year                      | <u>6,477,943</u>           | <u>2,874,115</u>                  | <u>9,352,058</u>           |
| <b>NET ASSETS AT END OF YEAR</b>                     | <b><u>\$ 7,095,780</u></b> | <b><u>\$ 2,626,576</u></b>        | <b><u>\$ 9,722,356</u></b> |

See accompanying notes to financial statements.

| <b>2013</b>                |                                   |                            |
|----------------------------|-----------------------------------|----------------------------|
| <b>Unrestricted</b>        | <b>Temporarily<br/>Restricted</b> | <b>Total</b>               |
| \$ 526,559                 | \$ -                              | \$ 526,559                 |
| 907,844                    | -                                 | 907,844                    |
| 854,489                    | 1,125,746                         | 1,980,235                  |
| 563,923                    | -                                 | 563,923                    |
| 708,000                    | -                                 | 708,000                    |
| 45,498                     | -                                 | 45,498                     |
| 178,654                    | -                                 | 178,654                    |
| 23,061                     | -                                 | 23,061                     |
| <u>856,639</u>             | <u>(856,639)</u>                  | <u>-</u>                   |
| <u>4,664,667</u>           | <u>269,107</u>                    | <u>4,933,774</u>           |
| 899,174                    | -                                 | 899,174                    |
| 1,073,566                  | -                                 | 1,073,566                  |
| 1,355,886                  | -                                 | 1,355,886                  |
| 367,578                    | -                                 | 367,578                    |
| 86,718                     | -                                 | 86,718                     |
| <u>156,169</u>             | <u>-</u>                          | <u>156,169</u>             |
| <u>3,939,091</u>           | <u>-</u>                          | <u>3,939,091</u>           |
| 834,955                    | -                                 | 834,955                    |
| <u>222,573</u>             | <u>-</u>                          | <u>222,573</u>             |
| <u>1,057,528</u>           | <u>-</u>                          | <u>1,057,528</u>           |
| <u>4,996,619</u>           | <u>-</u>                          | <u>4,996,619</u>           |
| (331,952)                  | 269,107                           | (62,845)                   |
| <u>6,809,895</u>           | <u>2,605,008</u>                  | <u>9,414,903</u>           |
| <b><u>\$ 6,477,943</u></b> | <b><u>\$ 2,874,115</u></b>        | <b><u>\$ 9,352,058</u></b> |

See accompanying notes to financial statements.

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

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

|                               | <u>Program Services</u>    |  |                                  |                         |
|-------------------------------|----------------------------|--|----------------------------------|-------------------------|
|                               | <u>Day Care</u>            | <u>Adolescent<br/>Mothers<br/>and Babies</u> | <u>Education/<br/>Employment</u> | <u>Food<br/>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 (Notes 4 and 5)          | 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 (Note 6) | -                          | 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>        |
| <b>TOTAL</b>                  | <b><u>\$ 1,049,514</u></b> | <b><u>\$ 1,505,322</u></b>                   | <b><u>\$ 457,571</u></b>         | <b><u>\$ 72,917</u></b> |

|                                 |                                       | <b>Supporting Services</b>            |                    |  |                           |  |  |
|---------------------------------|---------------------------------------|---------------------------------------|--------------------|--|---------------------------|--|--|
| <b>Transitional<br/>Housing</b> | <b>Total<br/>Program<br/>Services</b> | <b>General and<br/>Administrative</b> | <b>Fundraising</b> | <b>Total<br/>Supporting<br/>Services</b> | <b>Total<br/>Expenses</b> |  |  |
| \$ 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                     |  |  |
| 107                             | 16,149                                | 14,702                                | 868                | 15,570                                   | 31,719                    |  |  |
| 628,667                         | 3,713,991                             | 629,569                               | 244,562            | 874,131                                  | 4,588,122                 |  |  |
| -                               | -                                     | -                                     | -                  | -  | -                         |  |  |
| <b>\$ 628,667</b>               | <b>\$ 3,713,991</b>                   | <b>\$ 629,569</b>                     | <b>\$ 244,562</b>  | <b>\$ 874,131</b>                        | <b>\$ 4,588,122</b>       |  |  |

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013**

|                               | <b>Program Services</b>  |                            |  |                                  |                         |
|-------------------------------|--------------------------|----------------------------|--|----------------------------------|-------------------------|
|                               | <b>Children</b>          | <b>Day Care</b>            | <b>Adolescent<br/>Mothers and<br/>Babies</b> | <b>Education/<br/>Employment</b> | <b>Food<br/>Service</b> |
| Salaries and related expenses | \$ 649,942               | \$ 826,607                 | \$ 816,740                                   | \$ 255,074                       | \$ 90,371               |
| Printing and production       | -                        | -                          | -  | -                                | -                       |
| Professional fundraisers      | -                        | -                          | -  | -                                | -                       |
| Contract services             | 23,263                   | 12,362                     | 38,901                                       | 18,356                           | 5,663                   |
| Rent (Notes 4 and 5)          | 75,670                   | 101,990                    | 132,540                                      | 34,310                           | 52,170                  |
| Professional fees             | 10,530                   | 296                        | 17,786                                       | 560                              | 195                     |
| Insurance                     | 15,736                   | 12,878                     | 20,441                                       | 4,497                            | 6,609                   |
| Depreciation                  | 21,881                   | 35,200                     | 45,664                                       | 12,367                           | 18,075                  |
| Postage and delivery          | -                        | -                          | -  | -                                | -                       |
| Utilities                     | 18,748                   | 28,865                     | 38,424                                       | 10,042                           | 14,809                  |
| Supplies                      | 4,626                    | 9,250                      | 6,404  | 4,751                            | 45,745                  |
| Meetings and conventions      | -                        | -                          | 2  | -                                | -                       |
| Advertising and promotion     | -                        | 100                        | -  | -                                | -                       |
| Events and meetings           | -                        | -                          | -  | -                                | -                       |
| Maintenance                   | 15,536                   | 24,853                     | 32,243                                       | 8,721                            | 12,761                  |
| Contributed services (Note 6) | 25,200                   | 18,900                     | 47,700                                       | 18,900                           | 7,200                   |
| Transportation                | 5,663                    | -                          | 1,824  | -                                | -                       |
| Other                         | <u>2,801</u>             | <u>2,265</u>               | <u>19,725</u>                                | <u>-</u>                         | <u>190</u>              |
| Sub-total                     | 869,596                  | 1,073,566                  | 1,218,394                                    | 367,578                          | 253,788                 |
| Allocation of food service    | <u>29,578</u>            | <u>-</u>                   | <u>137,492</u>                               | <u>-</u>                         | <u>(167,070)</u>        |
| <b>TOTAL</b>                  | <b><u>\$ 899,174</u></b> | <b><u>\$ 1,073,566</u></b> | <b><u>\$ 1,355,886</u></b>                   | <b><u>\$ 367,578</u></b>         | <b><u>\$ 86,718</u></b> |

| <b>Supporting Services</b>      |                                   |                                       |                    |  |                           |
|---------------------------------|-----------------------------------|---------------------------------------|--------------------|--|---------------------------|
| <b>Transitional<br/>Housing</b> | <b>Total Program<br/>Services</b> | <b>General and<br/>Administrative</b> | <b>Fundraising</b> | <b>Total<br/>Supporting<br/>Services</b> | <b>Total<br/>Expenses</b> |
| \$ 102,319                      | \$ 2,741,053                      | \$ 247,076                            | \$ 158,991         | \$ 406,067                               | \$ 3,147,120              |
| -                               | -                                 | -                                     | 19,979             | 19,979                                   | 19,979                    |
| -                               | -                                 | -                                     | 15,034             | 15,034                                   | 15,034                    |
| -                               | 98,545                            | 26,664                                | -                  | 26,664                                   | 125,209                   |
| 7,990                           | 404,670                           | 159,330                               | -                  | 159,330                                  | 564,000                   |
| -                               | 29,367                            | 106,130                               | -                  | 106,130                                  | 135,497                   |
| 1,056                           | 61,217                            | 19,862                                | -                  | 19,862                                   | 81,079                    |
| 13,381                          | 146,568                           | 54,226                                | -                  | 54,226                                   | 200,794                   |
| -                               | -                                 | 6,340                                 | 2,197              | 8,537                                    | 8,537                     |
| 16,768                          | 127,656                           | 48,596                                | -                  | 48,596                                   | 176,252                   |
| 278                             | 71,054                            | 31,167                                | -                  | 31,167                                   | 102,221                   |
| -                               | 2                                 | -                                     | -                  | -  | 2                         |
| -                               | 100                               | 250                                   | -                  | 250                                      | 350                       |
| -                               | -                                 | -                                     | 23,297             | 23,297                                   | 23,297                    |
| 14,377                          | 108,491                           | 82,201                                | -                  | 82,201                                   | 190,692                   |
| -                               | 117,900                           | 26,100                                | -                  | 26,100                                   | 144,000                   |
| -                               | 7,487                             | 2,543                                 | -                  | 2,543                                    | 10,030                    |
| -                               | <u>24,981</u>                     | <u>24,470</u>                         | <u>3,075</u>       | <u>27,545</u>                            | <u>52,526</u>             |
| 156,169                         | 3,939,091                         | 834,955                               | 222,573            | 1,057,528                                | 4,996,619                 |
| -                               | -                                 | -                                     | -                  | -  | -                         |
| <u>\$ 156,169</u>               | <u>\$ 3,939,091</u>               | <u>\$ 834,955</u>                     | <u>\$ 222,573</u>  | <u>\$ 1,057,528</u>                      | <u>\$ 4,996,619</u>       |

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

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

|  | <u>2014</u>              | <u>2013</u>              |
|--|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                          |
| Changes in net assets  | \$ 370,298               | \$ (62,845)              |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: |                          |                          |
| Depreciation   | 205,863                  | 200,794                  |
| Realized gain on sale of investments   | (275,188)                | (138,069)                |
| Unrealized gain on investments   | (357,775)                | (297,129)                |
| In-kind leasehold improvements   | (6,510)                  | -                        |
| Increase in bond premium   | (6,086)                  | (9,900)                  |
| Increase of assets held in Trust   | (53,445)                 | (22,111)                 |
| (Increase) decrease in:  |                          |                          |
| Pledges receivable   | 16,550                   | (192,583)                |
| Accrued interest receivable  | (6,530)                  | 1,764                    |
| Accounts receivable  | 35,964                   | 224,829                  |
| Food inventory   | (2,222)                  | 2,011                    |
| Prepaid expenses   | (28,720)                 | (1,605)                  |
| Increase (decrease) in:  |                          |                          |
| Accounts payable and other accrued expenses  | (29,701)                 | 42,472                   |
| Accrued payroll expenses   | 3,187                    | 422                      |
| Accrued vacation benefits  | (19,020)                 | (15,439)                 |
| Refundable advance   | (34,609)                 | -                        |
| Other current liabilities  | (2,286)                  | 5,532                    |
| Net cash used by operating activities  | <u>(190,230)</u>         | <u>(261,857)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |                          |
| Purchase of investments  | (431,910)                | (1,186,778)              |
| Proceeds from sale of investments  | 945,590                  | 851,073                  |
| Purchase of property and equipment   | <u>(47,182)</u>          | <u>(42,558)</u>          |
| Net cash provided (used) by investing activities   | <u>466,498</u>           | <u>(378,263)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                          |                          |
| Due to annuitants under split interest agreements  | <u>-</u>                 | <u>(1,815)</u>           |
| Net cash used by financing activities  | <u>-</u>                 | <u>(1,815)</u>           |
| Net increase (decrease) in cash and cash equivalents                                     | 276,268                  | (641,935)                |
| Cash and cash equivalents at beginning of year   | <u>484,637</u>           | <u>1,126,572</u>         |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b><u>\$ 760,905</u></b> | <b><u>\$ 484,637</u></b> |

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**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.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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 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. 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.

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 financial statements. St. Ann's is not a private foundation.

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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

Uncertain tax positions -

For the years ended June 30, 2014 and 2013, 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 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 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 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 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 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 CENTER FOR CHILDREN, YOUTH AND FAMILIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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 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, 2014 and 2013, advertising expense totaled \$1,312 and \$350, 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 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 consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported change in net assets.

2. **INVESTMENTS**

Investments consisted of the following at June 30, 2014 and 2013:

|                             | <u>2014</u>                | <u>2013</u>                |
|-----------------------------|----------------------------|----------------------------|
| Common stocks               | \$ 2,708,092               | \$ 2,749,232               |
| Corporate obligations       | 403,322                    | 545,517                    |
| U.S. Government obligations | -                          | 49,890                     |
| Mutual funds                | <u>2,593,265</u>           | <u>2,234,671</u>           |
| <b>TOTAL INVESTMENTS</b>    | <b><u>\$ 5,704,679</u></b> | <b><u>\$ 5,579,310</u></b> |

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**2. INVESTMENTS (Continued)**

Included in investment income are the following at June 30, 2014 and 2013:

|                                      | <u>2014</u>              | <u>2013</u>              |
|--------------------------------------|--------------------------|--------------------------|
| Interest and dividends               | \$ 177,506               | \$ 157,930               |
| Realized gain on sale of investments | 275,188                  | 138,069                  |
| Unrealized gain on investments       | <u>357,775</u>           | <u>297,129</u>           |
|                                      | 810,469                  | 593,128                  |
| Less: Investment fees                | <u>(30,340)</u>          | <u>(29,205)</u>          |
| <b>TOTAL INVESTMENT INCOME</b>       | <b><u>\$ 780,129</u></b> | <b><u>\$ 563,923</u></b> |

**3. TEMPORARILY RESTRICTED NET ASSETS**

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

|                        | <u>Beginning<br/>Balance</u> | <u>2014<br/>Additions</u> | <u>2014<br/>Releases</u>     | <u>Ending<br/>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>             |
| <b>TOTAL</b>           | <b><u>\$ 2,874,115</u></b>   | <b><u>\$ 796,413</u></b>  | <b><u>\$ (1,043,952)</u></b> | <b><u>\$ 2,626,576</u></b> |

Temporarily restricted net assets activity consisted of the following for the year ended June 30, 2013:

|                        | <u>Beginning<br/>Balance</u> | <u>2013<br/>Additions</u>  | <u>2013<br/>Releases</u>   | <u>Ending<br/>Balance</u>  |
|------------------------|------------------------------|----------------------------|----------------------------|----------------------------|
| Facility modernization | \$ 2,276,512                 | \$ -                       | \$ (119,615)               | \$ 2,156,897               |
| Billerbeck Foundation  | 31,100                       | 30,250                     | -                          | 61,350                     |
| Time restricted        | <u>297,396</u>               | <u>1,095,496</u>           | <u>(737,024)</u>           | <u>655,868</u>             |
| <b>TOTAL</b>           | <b><u>\$ 2,605,008</u></b>   | <b><u>\$ 1,125,746</u></b> | <b><u>\$ (856,639)</u></b> | <b><u>\$ 2,874,115</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.

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

5. RELATED PARTY TRANSACTIONS

St. Ann's paid \$71,336 and \$81,764, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2014 and 2013. St. Ann's also received contributions of \$564,000 and \$564,000 from the Archdiocese for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013 is shown as food inventory in the accompanying Statements of Financial Position.

7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 and 2013 included the following:

|                                    | <u>2014</u>                | <u>2013</u>                |
|------------------------------------|----------------------------|----------------------------|
| Building                           | \$ 735,284                 | \$ 735,284                 |
| Building and grounds improvements  | 4,533,756                  | 4,501,315                  |
| Grounds equipment                  | 784,804                    | 784,804                    |
| Furnishings                        | 301,716                    | 301,716                    |
| Office furniture and equipment     | 150,637                    | 150,637                    |
| Computer equipment                 | 353,342                    | 353,343                    |
| Transportation equipment           | <u>168,671</u>             | <u>147,419</u>             |
| Total property and equipment       | 7,028,210                  | 6,974,518                  |
| Less: Accumulated depreciation     | <u>(4,160,739)</u>         | <u>(3,954,876)</u>         |
| <b>PROPERTY AND EQUIPMENT, NET</b> | <b><u>\$ 2,867,471</u></b> | <b><u>\$ 3,019,642</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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**8. FAIR VALUE MEASUREMENT (Continued)**

Investments recorded in the 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, 2014 and 2013.

- *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, 2014:

|                       | <u>Level 1</u>             | <u>Level 2</u>     | <u>Level 3</u>     | <u>Total</u>               |
|-----------------------|----------------------------|--------------------|--------------------|----------------------------|
| <b>Asset Class:</b>   |                            |                    |                    |                            |
| Common stocks         | \$ 2,708,092               | \$ -               | \$ -               | \$ 2,708,092               |
| Corporate obligations | 403,322                    | -                  | -                  | 403,322                    |
| Mutual funds          | 2,593,265                  | -                  | -                  | 2,593,265                  |
| Assets held in Trust  | <u>320,577</u>             | <u>-</u>           | <u>-</u>           | <u>320,577</u>             |
| <b>TOTAL</b>          | <b><u>\$ 6,025,256</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 6,025,256</u></b> |

The table below summarizes, by level within the fair value hierarchy, St. Ann's investments as of June 30, 2013:

|                             | <u>Level 1</u>             | <u>Level 2</u>     | <u>Level 3</u>     | <u>Total</u>               |
|-----------------------------|----------------------------|--------------------|--------------------|----------------------------|
| <b>Asset Class:</b>         |                            |                    |                    |                            |
| Common stocks               | \$ 2,749,232               | \$ -               | \$ -               | \$ 2,749,232               |
| Corporate obligations       | 545,517                    | -                  | -                  | 545,517                    |
| U.S. Government obligations | 49,890                     | -                  | -                  | 49,890                     |
| Mutual funds                | 2,234,671                  | -                  | -                  | 2,234,671                  |
| Assets held in Trust        | <u>267,132</u>             | <u>-</u>           | <u>-</u>           | <u>267,132</u>             |
| <b>TOTAL</b>                | <b><u>\$ 5,846,442</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 5,846,442</u></b> |

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**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 Statements of Financial Position.

**10. SUBSEQUENT EVENTS**

In preparing these financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through October 21, 2014, the date the financial statements were issued.