

**FINANCIAL STATEMENTS**

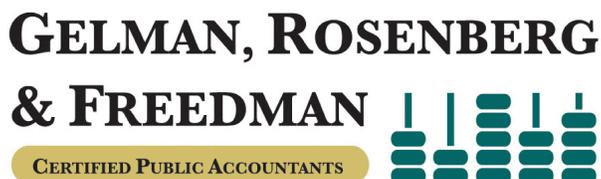
**ST. ANN'S CENTER FOR CHILDREN,  
YOUTH AND FAMILIES**

**FOR THE YEAR ENDED JUNE 30, 2012  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2011**

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

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the St. Ann's Center for Children, Youth and Families (St. Ann's) as of June 30, 2012, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of St. Ann's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from St. Ann's 2011 consolidated financial statements and, in our report dated October 7, 2011, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Ann's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

October 30, 2012

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

STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

## ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,126,572	\$ 1,062,740
Investments (Notes 2 and 9)	4,798,507	4,882,138
Pledges receivable	69,677	75,371
Accrued interest receivable	7,379	8,746
Accounts receivable	290,788	547,008
Food inventory (Note 7)	7,927	12,229
Prepaid expenses	-	37,578
Property and equipment, net of accumulated depreciation of \$3,754,080 (Note 8)	3,177,878	2,360,525
Assets held in Trust (Notes 9 and 10)	<u>245,021</u>	<u>254,171</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,723,749</u></b>	<b><u>\$ 9,240,506</u></b>

## LIABILITIES AND NET ASSETS

## LIABILITIES

Accounts payable and other accrued expenses	\$ 71,364	\$ 182,589
Accrued payroll expenses	63,921	48,203
Accrued vacation benefits	137,137	124,916
Amounts due to annuitants under split interest agreements (Note 10)	1,815	4,095
Refundable advance	<u>34,609</u>	<u>-</u>
Total liabilities	<u>308,846</u>	<u>359,803</u>

## NET ASSETS

Unrestricted:		
Undesignated and invested in property and equipment	1,228,550	1,423,525
Designated for long-term investment	<u>5,581,345</u>	<u>5,581,345</u>
Total unrestricted net assets	6,809,895	7,004,870
Temporarily restricted (Note 3)	<u>2,605,008</u>	<u>1,875,833</u>
Total net assets	<u>9,414,903</u>	<u>8,880,703</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,723,749</u></b>	<b><u>\$ 9,240,506</u></b>

**ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Program service fees	\$ 646,686	\$ -	\$ 646,686	\$ 655,695
Public support	962,902	1,481,581	2,444,483	2,906,925
Grant and contract revenue from government agencies	1,536,284	-	1,536,284	1,755,664
Investment income (Note 2)	80,917	-	80,917	961,050
Contributed services and materials (Notes 6 and 7)	662,880	-	662,880	662,880
Rental income	36,456	-	36,456	36,486
Special events	152,458	-	152,458	335,553
Other revenue	1,075	-	1,075	775
Net assets released from donor restrictions (Note 4)	<u>752,406</u>	<u>(752,406)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,832,064</u>	<u>729,175</u>	<u>5,561,239</u>	<u>7,315,028</u>
<b>EXPENSES</b>				
Program Services:				
Children	1,457,513	-	1,457,513	1,679,588
Day Care	925,293	-	925,293	997,097
Prenatal Care	-	-	-	363,422
Adolescent Mothers and Babies	1,199,407	-	1,199,407	916,678
High School	291,807	-	291,807	324,785
Food Service	94,346	-	94,346	95,630
Faith House	97,241	-	97,241	65,459
Social Services	<u>41,040</u>	<u>-</u>	<u>41,040</u>	<u>41,040</u>
Total program services	<u>4,106,647</u>	<u>-</u>	<u>4,106,647</u>	<u>4,483,699</u>
Supporting Services:				
General and Administrative	715,735	-	715,735	782,194
Fundraising	<u>204,657</u>	<u>-</u>	<u>204,657</u>	<u>350,252</u>
Total supporting services	<u>920,392</u>	<u>-</u>	<u>920,392</u>	<u>1,132,446</u>
Total expenses	<u>5,027,039</u>	<u>-</u>	<u>5,027,039</u>	<u>5,616,145</u>
Change in net assets	(194,975)	729,175	534,200	1,698,883
Net assets at beginning of year	<u>7,004,870</u>	<u>1,875,833</u>	<u>8,880,703</u>	<u>7,181,820</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 6,809,895</u></b>	<b><u>\$ 2,605,008</u></b>	<b><u>\$ 9,414,903</u></b>	<b><u>\$ 8,880,703</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, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<b>2012</b>					
	<b>Program Services</b>					
	<b>Children</b>	<b>Day Care</b>	<b>Adolescent Mothers and Babies</b>	<b>High School</b>	<b>Food Service</b>	<b>Faith House</b>
Salaries and related expenses	\$ 956,727	\$ 777,134	\$ 676,883	\$ 220,466	\$ 94,116	\$ 49,153
Printing and production	-	-	-	-	-	-
Professional fundraisers	-	-	-	-	-	-
Contract services	41,130	12,101	29,146	11,296	5,648	13
Rent (Notes 5 and 6)	84,600	73,320	146,640	28,200	45,120	-
Professional fees	38,322	1,411	6,859	129	363	-
Insurance	24,068	8,752	24,908	3,366	5,386	-
Depreciation	13,936	12,077	24,155	4,645	7,432	25,527
Telephone	-	-	-	-	-	-
Postage and delivery	-	-	-	-	-	-
Utilities	27,366	22,610	43,005	8,089	13,394	12,780
Supplies	2,178	-	32	549	76,683	-
Meetings and conventions	-	-	29	-	-	-
Advertising and promotion	-	101	-	-	-	-
Events and meetings	-	-	-	-	-	-
Maintenance	2,415	2,081	3,748	667	8,197	9,768
Contributed services (Note 7)	43,200	14,400	36,000	14,400	7,200	-
Transportation	9,901	-	4,450	-	-	-
Other	<u>11,484</u>	<u>1,306</u>	<u>19,613</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	1,255,327	925,293	1,015,468	291,807	263,539	97,241
Allocation of social services	114,311	-	102,621	-	-	-
Allocation of food service	<u>87,875</u>	<u>-</u>	<u>81,318</u>	<u>-</u>	<u>(169,193)</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 1,457,513</u></b>	<b><u>\$ 925,293</u></b>	<b><u>\$ 1,199,407</u></b>	<b><u>\$ 291,807</u></b>	<b><u>\$ 94,346</u></b>	<b><u>\$ 97,241</u></b>

<b>2011</b>						
<b>Supporting Services</b>						
<b>Social Services</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
\$ 191,748	\$ 2,966,227	\$ 182,515	\$ 153,711	\$ 336,226	\$ 3,302,453	\$ 3,644,911
-	-	-	18,123	18,123	18,123	9,082
-	-	-	-	-	-	1,009
5,648	104,982	25,512	-	25,512	130,494	131,466
33,840	411,720	152,280	-	152,280	564,000	564,000
144	47,228	40,081	-	40,081	87,309	87,345
4,039	70,519	17,503	-	17,503	88,022	87,516
5,574	93,346	25,084	-	25,084	118,430	133,902
-	-	-	-	-	-	1,232
-	-	4,374	2,459	6,833	6,833	10,078
8,355	135,599	46,807	-	46,807	182,406	174,353
683	80,125	37,274	428	37,702	117,827	119,164
-	29	-	-	-	29	45
-	101	-	-	-	101	385
-	-	-	28,827	28,827	28,827	195,874
741	27,617	129,640	1,037	130,677	158,294	211,401
7,200	122,400	21,600	-	21,600	144,000	144,000
-	14,351	4,353	-	4,353	18,704	15,899
-	<u>32,403</u>	<u>28,712</u>	<u>72</u>	<u>28,784</u>	<u>61,187</u>	<u>84,483</u>
257,972	4,106,647	715,735	204,657	920,392	5,027,039	5,616,145
(216,932)	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>\$ 41,040</b>	<b>\$ 4,106,647</b>	<b>\$ 715,735</b>	<b>\$ 204,657</b>	<b>\$ 920,392</b>	<b>\$ 5,027,039</b>	<b>\$ 5,616,145</b>

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 534,200	\$ 1,698,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118,430	133,902
Realized gain on sale of investments	(20,336)	(62,251)
Unrealized loss (gain) on investments	156,742	(769,919)
Stock donations	(77,934)	-
Increase in bond premium	(7,254)	(6,124)
Decrease (increase) of assets held in Trust	9,150	(33,562)
(Increase) decrease in:		
Pledges receivable	5,694	111,790
Accrued interest receivable	1,367	3,528
Accounts receivable	256,220	(164,999)
Food inventory	4,302	715
Prepaid expenses	37,578	37,942
Increase (decrease) in:		
Accounts payable and other accrued expenses	(111,225)	132,134
Accrued payroll expenses	15,718	(119,401)
Accrued vacation benefits	12,221	(3,936)
Refundable advance	<u>34,609</u>	<u>-</u>
Net cash provided by operating activities	<u>969,482</u>	<u>958,702</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(386,986)	(868,354)
Proceeds from sale of investments	419,399	923,229
Purchase of property and equipment	<u>(935,783)</u>	<u>(1,078,957)</u>
Net cash used by investing activities	<u>(903,370)</u>	<u>(1,024,082)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Due to annuitants under split interest agreements	<u>(2,280)</u>	<u>(2,280)</u>
Net cash used by financing activities	<u>(2,280)</u>	<u>(2,280)</u>
Net increase (decrease) in cash and cash equivalents	63,832	(67,660)
Cash and cash equivalents at beginning of year	<u>1,062,740</u>	<u>1,130,400</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,126,572</u></b>	<b><u>\$ 1,062,740</u></b>

See accompanying notes to financial statements.

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

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

#### 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*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with St. Ann's consolidated financial statements for the year ended June 30, 2011, from which the summarized information was derived.

##### 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). St. Ann's maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

At times during the year, St. Ann's maintains a portion of its cash balances in interest-bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) 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 Statement of Activities and Change in Net Assets. Bond premiums are being amortized over the term of the bonds and is 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.

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended June 30, 2012, St. Ann's has documented its consideration of FASB ASC 740-10 and 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 Statement of Activities and Change 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 CENTER FOR CHILDREN, YOUTH AND FAMILIES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

Contributions and grants (continued) -

St. Ann's receives funding under grants from 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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change 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 year ended June 30, 2012, advertising expense totaled \$101.

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 measurements -

St. Ann's adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. 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.

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

2. INVESTMENTS

Investments consisted of the following at June 30, 2012:

Common stocks	\$ 2,386,968
Corporate obligations	721,545
U.S. Government obligations	49,410
Mutual funds	<u>1,640,584</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 4,798,507</u></b>

Included in investment income are the following:

Interest and dividends	\$ 244,854
Realized gain on sale of investments	20,336
Unrealized loss on investments	<u>(156,742)</u>
	108,448
Less: Investment fees	<u>(27,531)</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 80,917</u></b>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2012:

Facility modernization	\$ 2,276,512
Billerbeck Foundation	31,100
Time restricted	<u>297,396</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 2,605,008</u></b>

4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors or the passage of time:

Facility modernization	\$ 20,393
Passage of time	<u>732,013</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 752,406</u></b>

5. 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, 2012**

**6. RELATED PARTY TRANSACTIONS**

St. Ann's paid \$89,760 to the Archdiocese to participate in various insurance programs for the year ended June 30, 2012. St. Ann's received contributions of \$564,000 from the Archdiocese for the year ended June 30, 2012. The value received from the Archdiocese approximates the fair value of rent for the St. Ann's facility. See Note 5 for discussion of the lease commitment with the Archdiocese.

**7. 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 for the year ended June 30, 2012.

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, 2012 is shown as food inventory in the accompanying Statement of Financial Position at June 30, 2012.

**8. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2012 included the following:

Building	\$ 712,783
Building and grounds improvements	2,527,128
Grounds equipment	754,498
Furnishings	301,716
Office furniture and equipment	150,637
Computer equipment	353,343
Transportation equipment	<u>147,419</u>
Total property and equipment	4,947,524
Less: Accumulated depreciation	(3,754,080)
Rehabilitation in progress	<u>1,984,434</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b><u>\$ 3,177,878</u></b>

**9. FAIR VALUE MEASUREMENTS**

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, 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, 2012**

**9. FAIR VALUE MEASUREMENTS (Continued)**

Investments recorded in the Statement 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.** 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, 2012.

- *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, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Category:</b>				
Common stocks	\$ 2,386,968	\$ -	\$ -	\$ 2,386,968
Corporate obligations	721,545	-	-	721,545
U.S. Government obligations	49,410	-	-	49,410
Mutual funds	1,640,584	-	-	1,640,584
Assets held in Trust	<u>245,021</u>	<u>-</u>	<u>-</u>	<u>245,021</u>
<b>TOTAL</b>	<b><u>\$ 5,043,528</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,043,528</u></b>

**10. 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 Statement of Financial Position.

**11. SUBSEQUENT EVENTS**

In preparing these financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through October 30, 2012, the date the financial statements were issued.