

**COMBINED FINANCIAL STATEMENTS**

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

**FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018**

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

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## CPAs & ADVISORS

### 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, 2019 and 2018, 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 Combined Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of St. Ann's as of June 30, 2019 and 2018, and the combined changes in its net assets and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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### Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules on pages 19 - 23 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2019 on our consideration of St. Ann's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Ann's internal control over financial reporting and compliance.



November 2, 2019

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

COMBINED STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2019 AND 2018

## ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 929,941	\$ 917,855
Investments	6,441,822	6,422,644
Pledges receivable	55,905	70,234
Accounts receivable	48,002	82,499
Prepaid expenses	29,103	26,985
Property and equipment, net of accumulated depreciation and amortization of \$2,083,154 and \$1,870,647	2,518,986	2,621,119
Investments held in Trust	<u>278,936</u>	<u>279,772</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,302,695</u></b>	<b><u>\$ 10,421,108</u></b>

## LIABILITIES AND NET ASSETS

## LIABILITIES

Accounts payable and other accrued expenses	\$ 79,903	\$ 44,127
Accrued payroll expenses	98,070	96,210
Accrued vacation benefits	131,869	110,791
Other current liabilities	<u>2,313</u>	<u>1,707</u>
Total liabilities	<u>312,155</u>	<u>252,835</u>

## NET ASSETS

Without donor restrictions:		
Undesignated	3,540,724	3,747,019
Designated for long-term investment	<u>6,098,035</u>	<u>5,932,391</u>
Total without donor restrictions	9,638,759	9,679,410
With donor restrictions	<u>351,781</u>	<u>488,863</u>
Total net assets	<u>9,990,540</u>	<u>10,168,273</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,302,695</u></b>	<b><u>\$ 10,421,108</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, 2019 AND 2018**

	<u>2019</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Program Service Fees - Private	\$ 405,494	\$ -	\$ 405,494
Program Service Fees - Government Agencies	627,264	-	627,264
Public support	1,045,102	510,798	1,555,900
Investment income, net n	515,328	8,463	523,791
Contributed services and materials	708,000	-	708,000
Rental income	168,220	-	168,220
Special events	316,791	-	316,791
Other revenue	-	-	-
Net assets released from donor restrictions	<u>656,343</u>	<u>(656,343)</u>	<u>-</u>
Total support and revenue	<u>4,442,542</u>	<u>(137,082)</u>	<u>4,305,460</u>
<b>EXPENSES</b>			
Program Services:			
Day Care	1,109,785	-	1,109,785
Adolescent Mothers and Babies	1,353,315	-	1,353,315
Education/Employment	249,803	-	249,803
Transitional Housing	806,214	-	806,214
Food Service	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	<u>3,519,117</u>	<u>-</u>	<u>3,519,117</u>
Supporting Services:			
General and Administrative	578,521	-	578,521
Fundraising	<u>385,555</u>	<u>-</u>	<u>385,555</u>
Total supporting services	<u>964,076</u>	<u>-</u>	<u>964,076</u>
Total expenses	<u>4,483,193</u>	<u>-</u>	<u>4,483,193</u>
Changes in net assets	(40,651)	(137,082)	(177,733)
Net assets at beginning of year	<u>9,679,410</u>	<u>488,863</u>	<u>10,168,273</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 9,638,759</u></b>	<b><u>\$ 351,781</u></b>	<b><u>\$ 9,990,540</u></b>

<b>2018</b>		
<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
\$ 521,267	\$ -	\$ 521,267
670,517	-	670,517
1,556,576	470,500	2,027,076
579,187	21,551	600,738
708,000	-	708,000
179,840	-	179,840
363,670	-	363,670
2,586	-	2,586
<u>614,178</u>	<u>(614,178)</u>	<u>-</u>
<u>5,195,821</u>	<u>(122,127)</u>	<u>5,073,694</u>
1,139,446	-	1,139,446
1,289,543	-	1,289,543
361,286	-	361,286
-	-	-
<u>826,870</u>	<u>-</u>	<u>826,870</u>
<u>3,617,145</u>	<u>-</u>	<u>3,617,145</u>
586,475	-	586,475
<u>423,342</u>	<u>-</u>	<u>423,342</u>
<u>1,009,817</u>	<u>-</u>	<u>1,009,817</u>
<u>4,626,962</u>	<u>-</u>	<u>4,626,962</u>
568,859	(122,127)	446,732
<u>9,110,551</u>	<u>610,990</u>	<u>9,721,541</u>
<b><u>\$ 9,679,410</u></b>	<b><u>\$ 488,863</u></b>	<b><u>\$ 10,168,273</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, 2019

	Program Services				Supporting Services			Total Expense	
	Day Care	Adolescent Mothers and Babies	Education/ Employment	Transitional Housing	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Salaries and related expenses	\$ 831,821	\$ 834,068	\$ 144,342	\$ 373,779	\$ 2,184,010	\$ 197,212	\$ 299,095	\$ 496,307	\$ 2,680,317
Contributed services	-	64,800	7,200	57,600	129,600	14,400	-	14,400	144,000
Professional fees	9	10,630	-	370	11,009	55,216	636	55,852	66,861
Advertising and promotion	-	-	-	-	-	279	629	908	908
Supplies and materials	36,192	108,606	5,940	26,981	177,719	20,137	4,593	24,730	202,449
Telecommunications	2,848	5,838	1,139	6,102	15,927	3,276	-	3,276	19,203
Postage expense	-	-	-	-	-	3,954	4,605	8,559	8,559
Rent	112,800	135,360	45,120	141,000	434,280	129,720	-	129,720	564,000
Utilities and facility maintenance	76,606	101,623	30,599	117,979	326,807	98,609	878	99,487	426,294
Printing and production	-	-	-	-	-	-	32,157	32,157	32,157
Transportation	-	6,172	-	1,045	7,217	2,254	313	2,567	9,784
Staff training	4,429	23,289	-	7,975	35,693	1,925	1,597	3,522	39,215
Assistance to individuals	125	11,182	-	44	11,351	-	11	11	11,362
Membership	5,591	5,350	-	5,800	16,741	3,065	2,099	5,164	21,905
Banking fees	-	-	-	-	-	100	1,308	1,408	1,408
Miscellaneous	706	7	-	-	713	1,455	220	1,675	2,388
Bad debt	-	-	-	-	-	2,462	-	2,462	2,462
Depreciation and amortization	38,658	46,390	15,463	67,539	168,050	44,457	-	44,457	212,507
Events and meetings	-	-	-	-	-	-	37,414	37,414	37,414
<b>TOTAL</b>	<b>\$ 1,109,785</b>	<b>\$ 1,353,315</b>	<b>\$ 249,803</b>	<b>\$ 806,214</b>	<b>\$ 3,519,117</b>	<b>\$ 578,521</b>	<b>\$ 385,555</b>	<b>\$ 964,076</b>	<b>\$ 4,483,193</b>

See accompanying notes to combined financial statements.

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

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services				Supporting Services			Total Expense	
	Day Care	Adolescent Mothers and Babies	Education/ Employment	Food Services	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Salaries and related expenses	\$ 897,055	\$ 792,467	\$ 258,531	\$ 426,261	\$ 2,374,314	\$ 155,233	\$ 330,004	\$ 485,237	\$ 2,859,551
Contributed services	-	64,800	7,200	57,600	129,600	14,400	-	14,400	144,000
Professional fees	11	17,745	70	-	17,826	90,671	7,455	98,126	115,952
Advertising and promotion	-	-	-	-	-	-	1,600	1,600	1,600
Supplies and materials	10,035	112,701	6,023	15,810	144,569	27,848	3,796	31,644	176,213
Telecommunications	3,213	7,217	1,285	5,992	17,707	1,887	-	1,887	19,594
Postage expense	-	-	-	-	-	3,998	5,686	9,684	9,684
Rent	112,800	135,360	45,120	141,000	434,280	129,720	-	129,720	564,000
Utilities and facility maintenance	67,200	80,510	26,947	100,352	275,009	99,432	878	100,310	375,319
Printing and production	-	-	-	-	-	2,158	24,884	27,042	27,042
Transportation	-	5,094	-	604	5,698	1,261	10	1,271	6,969
Staff training	3,020	12,093	-	5,291	20,404	3,928	2,199	6,127	26,531
Assistance to individuals	-	8,627	-	-	8,627	10	10	20	8,647
Membership	5,425	4,600	-	4,400	14,425	5,387	2,314	7,701	22,126
Interest expense	-	-	-	-	-	230	-	230	230
Banking fees	13	-	-	-	13	391	1,513	1,904	1,917
Miscellaneous	400	-	-	-	400	458	70	528	928
Maintenance	-	-	-	-	-	3,000	-	3,000	3,000
Bad debt	-	-	-	-	-	308	-	308	308
Depreciation and amortization	40,274	48,329	16,110	69,560	174,273	46,155	-	46,155	220,428
Events and meetings	-	-	-	-	-	-	42,923	42,923	42,923
<b>TOTAL</b>	<b>\$ 1,139,446</b>	<b>\$ 1,289,543</b>	<b>\$ 361,286</b>	<b>\$ 826,870</b>	<b>\$ 3,617,145</b>	<b>\$ 586,475</b>	<b>\$ 423,342</b>	<b>\$ 1,009,817</b>	<b>\$ 4,626,962</b>

See accompanying notes to combined financial statements.

## 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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (177,733)	\$ 446,732
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	212,507	220,428
Realized gain on sale of investments	(220,456)	(83,081)
Unrealized gain on investments	(150,149)	(395,110)
Decrease (increase) in assets held in Trust	836	(11,797)
Decrease (increase) in:		
Pledges receivable	14,329	(19,872)
Accounts receivable	34,497	(51,991)
Prepaid expenses	(2,118)	(10,356)
Increase (decrease) in:		
Accounts payable and other accrued expenses	35,776	(556)
Accrued payroll expenses	1,860	(11,393)
Accrued vacation benefits	21,078	4,820
Other current liabilities	<u>606</u>	<u>1,307</u>
Net cash (used) provided by operating activities	<u>(228,967)</u>	<u>89,131</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(546,549)	(500,721)
Proceeds from sale of investments	897,976	404,553
Purchase of property and equipment	<u>(110,374)</u>	<u>(4,094)</u>
Net cash provided (used) by investing activities	<u>241,053</u>	<u>(100,262)</u>
Net increase (decrease) in cash and cash equivalents	12,086	(11,131)
Cash and cash equivalents at beginning of year	<u>917,855</u>	<u>928,986</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 929,941</u></b>	<b><u>\$ 917,855</u></b>
	<u>2019</u>	<u>2018</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<u>\$ -</u>	<u>\$ 230</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

St. Ann's Center for Youth and Families (St. Ann's) was established in 1863 by an act of Congress for the purpose of establishing and maintaining an institution for the maintenance and support of foundlings, infant orphan, and half orphan children, and to provide for deserving indigent and unprotected females during and after their pregnancy and childbirth.

On August 29, 2012, St. Ann's Infant and Maternity Home legally changed its name to St. Ann's Center for Children, Youth and Families.

On September 10, 2014, St. Ann's Donor Trust (the Trust) was established. The Trust was organized to hold, administer and disburse donations and reserve fund accounts. The Trust shall be organized and at all times operated exclusively for the benefit of, to perform the functions of, and/or to carry out the purposes of St. Ann's Center for Youth and Families.

Basis of presentation -

The combined financial statements include the accounts of St. Ann's and the St. Ann's Trust (collectively referred to as St. Ann's). The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASC) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended June 30, 2019 and applied retrospectively.

For the year ended June 30, 2018, the financial statements of St. Ann's have been combined with St. Ann's Trust in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Cash and cash equivalents -

St. Ann's considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, St. Ann's maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses less investment fees are included in investment income, net of fees in the Combined Statements of Activities and Changes in Net Assets. Bond premiums are being amortized over the term of the bonds and are included in investment income.

Accounts and pledges receivable -

Accounts and pledges receivable approximate fair value. Management considers all amounts to be fully collectible in the next year. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$2,000 are capitalized and stated at cost.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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

Property and equipment (continued) -

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.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Combined Statements of Activities and Changes in Net Assets, to its current fair value.

Income taxes -

St. Ann's is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. St. Ann's is not a private foundation.

The Trust purposes are limited to exempt purposes as provided under Section 501(c)(3) of the Internal Revenue Code.

Uncertain tax positions -

For the years ended June 30, 2019 and 2018, 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 -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net assets without donor restriction** include 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. Funds designated for long-term investment represent the assets held in St. Ann's Donor Trust.
- **Net assets with donor restriction** 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and public support -

Contributions and public support are recorded as revenue in the year notification is received from the donor.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

Contributions and public support (continued) -

Contributions with donor restriction are recognized as without donor restriction only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions received in excess of expenses incurred are shown as net assets with donor restriction 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 income without donor restriction to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Unreimbursed grant expenses incurred in accordance with the grant agreements are recorded as grants receivable on St. Ann's Combined Statements of Financial Position. Funding received in advance of incurring the related expenses is recorded as a refundable advance.

Program service fees -

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

Contributed services and materials -

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

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits).

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of June 30, 2018 as unrestricted net assets in the amount of \$9,679,410 are now classified as "net assets without donor restriction".

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

Reclassification (continued) -

Net assets previously classified as temporarily restricted net assets in the amount of \$488,863 are now classified as "net assets with donor restriction".

Investment risks and uncertainties -

St. Ann's invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

Fair value measurement -

St. Ann's adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. St. Ann's accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. St. Ann's has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the combined financial statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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

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

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

St. Ann's plans to adopt the new ASUs at the required implementation dates.

2. INVESTMENTS

Investments consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Domestic equities	\$ 4,110,569	\$ 3,508,181
International equities	15,812	213,525
Mutual funds, CTFs and UITs	52,856	603,963
Taxable fixed income	2,262,584	2,000,010
Tax-exempt fixed income	<u>-</u>	<u>96,965</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 6,441,822</u></b>	<b><u>\$ 6,422,644</u></b>

Included in investment income are the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 188,866	\$ 156,295
Realized gain on sale of investments	220,456	83,081
Unrealized gain on investments	<u>150,149</u>	<u>395,110</u>
	559,471	634,486
Less: Investment fees	<u>(35,680)</u>	<u>(33,748)</u>
<b>TOTAL INVESTMENT INCOME, NET</b>	<b><u>\$ 523,791</u></b>	<b><u>\$ 600,738</u></b>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restricted activity consisted of the following for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>2019 Additions</u>	<u>2019 Releases</u>	<u>Ending Balance</u>
Billerbeck Foundation	\$ 120,416	\$ 8,463	\$ (4,231)	\$ 124,648
Time restricted	<u>368,447</u>	<u>510,798</u>	<u>(652,112)</u>	<u>227,133</u>
<b>TOTAL</b>	<b><u>\$ 488,863</u></b>	<b><u>\$ 519,261</u></b>	<b><u>\$ (656,343)</u></b>	<b><u>\$ 351,781</u></b>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets with donor restricted activity consisted of the following for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>2018 Additions</u>	<u>2018 Releases</u>	<u>Ending Balance</u>
Facility modernization	\$ 119,615	\$ -	\$ (119,615)	
Billerbeck Foundation	108,057	24,551	(12,192)	120,416
Time restricted	<u>383,318</u>	<u>467,500</u>	<u>(482,371)</u>	<u>368,447</u>
<b>TOTAL</b>	<b><u>\$ 610,990</u></b>	<b><u>\$ 492,051</u></b>	<b><u>\$ (614,178)</u></b>	<b><u>\$ 488,863</u></b>

**4. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Combined Statements of Financial Position date comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 929,941	\$ 917,855
Investments	6,441,822	6,422,644
Pledges receivable	55,905	70,234
Accounts receivable	48,002	82,499
Designated for long-term investment	(6,098,035)	(5,932,391)
Amounts restricted by donor-purpose	<u>(124,648)</u>	<u>(120,416)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 1,252,987</u></b>	<b><u>\$ 1,440,425</u></b>

St. Ann's has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019 and June 30, 2018, St. Ann's's has financial assets equal to approximately three and four months of operating expenses, respectively. St. Ann's would have the ability to utilize the board designated funds if there is a significant event that caused a shortfall in undesignated net assets.

**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.

Future minimum rental payments to be received are:

<u>Year Ending June 30,</u>	
2020	\$ 114,000
2021	114,000
2022	114,000
2023	<u>6,000</u>
	<b><u>\$ 348,000</u></b>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**5. LEASE COMMITMENT (Continued)**

Rental income for the years ended June 30, 2019 and 2018 was \$168,220 and \$179,840, respectively.

**6. RELATED PARTY TRANSACTIONS**

St. Ann's paid \$68,035 and \$70,019, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2019 and 2018. St. Ann's also received contributions in the amount of \$564,000 from the Archdiocese for each of the years ended June 30, 2019 and 2018, 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.

**7. NONCASH CONTRIBUTIONS**

Contributed services -

St. Ann's records contributed services as income and expense for the difference between the stipend that St. Ann's pays the sisters who work in St. Ann's programs and the fair value of the services. Contributed program services totaled \$144,000 for each of the years ended June 30, 2019 and 2018, respectively.

**8. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 and 2018 included the following:

	<u>2019</u>	<u>2018</u>
Building	\$ 712,784	\$ 712,784
Building and grounds improvements	3,452,780	3,357,406
Grounds equipment	249,514	249,514
Office furniture and equipment	150,931	135,931
Computer equipment	14,879	14,879
Transportation equipment	<u>21,252</u>	<u>21,252</u>
Total property and equipment	4,602,140	4,491,766
Less: Accumulated depreciation and amortization	<u>(2,083,154)</u>	<u>(1,870,647)</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b><u>\$ 2,518,986</u></b>	<b><u>\$ 2,621,119</u></b>

**9. 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 AND ST. ANN'S DONOR TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

9. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market St. Ann's has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2019.

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

The table below summarizes, by level within the fair value hierarchy, St. Ann's investments as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Domestic equities	\$ 4,110,569	\$ -	\$ -	\$ 4,110,569
International equities	15,812	-	-	15,812
Mutual funds, CTFs and UITs	52,856	-	-	52,856
Taxable fixed income	-	2,262,584	-	2,262,584
Assets held in Trust	<u>278,936</u>	<u>-</u>	<u>-</u>	<u>278,936</u>
<b>TOTAL</b>	<b><u>\$ 4,458,173</u></b>	<b><u>\$ 2,262,584</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,720,757</u></b>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Domestic equities	\$ 3,508,181	\$ -	\$ -	\$ 3,508,181
International equities	213,525	-	-	213,525
Mutual funds, CTFs and UITs	603,963	-	-	603,963
Taxable fixed income	-	2,000,010	-	2,000,010
Tax-exempt fixed income	-	96,965	-	96,965
Assets held in Trust	<u>279,772</u>	<u>-</u>	<u>-</u>	<u>279,772</u>
<b>TOTAL</b>	<b><u>\$ 4,605,441</u></b>	<b><u>\$ 2,096,975</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,702,416</u></b>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

There were no transfers between levels in the fair value hierarchy during the years ended June 30, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

**10. SPLIT INTEREST AGREEMENTS**

Investments held in Trust consist of investments in a perpetual Trust establishing St. Ann's as a beneficiary. St. Ann's receives current income earned by the Trust. St. Ann's has recorded its interest in this Trust as part of Assets held in Trust in the accompanying Combined Statements of Financial Position.

**11. SUBSEQUENT EVENTS**

In preparing these combined financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through November 2, 2019, 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, 2019

	St. Ann's	St. Ann's Trust	Eliminations	Combined
<b>ASSETS</b>				
Cash and cash equivalents	\$ 695,082	\$ 234,859	\$ -	\$ 929,941
Investments	578,646	5,863,176	-	6,441,822
Pledges receivable	55,905	-	-	55,905
Accounts receivable	48,002	-	-	48,002
Prepaid expenses	29,103	-	-	29,103
Property and equipment, net of accumulated depreciation and amortization of \$2,083,154	2,518,986	-	-	2,518,986
Investments held in Trust	278,936	-	-	278,936
<b>TOTAL ASSETS</b>	<b>\$ 4,204,660</b>	<b>\$ 6,098,035</b>	<b>\$ -</b>	<b>\$ 10,302,695</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable and other accrued expenses	\$ 79,903	\$ -	\$ -	\$ 79,903
Accrued payroll expenses	98,070	-	-	98,070
Accrued vacation benefits	131,869	-	-	131,869
Other current liabilities	2,313	-	-	2,313
Total liabilities	312,155	-	-	312,155
<b>NET ASSETS</b>				
Without donor restrictions:				
Undesignated	3,540,724	-	-	3,540,724
Designated for long-term investment	-	6,098,035	-	6,098,035
Total without donor restrictions	3,540,724	6,098,035	-	9,638,759
With donor restrictions	351,781	-	-	351,781
Total net assets	3,892,505	6,098,035	-	9,990,540
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,204,660</b>	<b>\$ 6,098,035</b>	<b>\$ -</b>	<b>\$ 10,302,695</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, 2019

	St. Ann's	St. Ann's Trust	Eliminations	Combined
<b>REVENUE WITHOUT DONOR RESTRICTIONS</b>				
Program Service Fees - Private	\$ 405,494	\$ -	\$ -	\$ 405,494
Program Service Fees - Government				
Agencies	627,264	-	-	627,264
Public support	1,342,102	-	(297,000)	1,045,102
Investment income	515,328	-	-	515,328
Contributed services and materials	708,000	-	-	708,000
Rental income	168,220	-	-	168,220
Other revenue	316,791	-	-	316,791
Net assets released from donor restrictions	656,343	-	-	656,343
Total revenue	4,739,542	-	(297,000)	4,442,542
<b>EXPENSES</b>				
Program Services:				
Day Care	1,109,785	-	-	1,109,785
Adolescent Mothers and Babies	1,353,315	-	-	1,353,315
Education/Employment	249,803	-	-	249,803
Transitional Housing	806,214	-	-	806,214
Total program services	3,519,117	-	-	3,519,117
Supporting Services:				
General and Administrative	578,521	297,000	297,000	578,521
Fundraising	385,555	-	-	385,555
Total supporting services	964,076	297,000	297,000	964,076
Total expenses	4,483,193	297,000	297,000	4,483,193
Change in net assets without donor restrictions	256,349	(297,000)	(594,000)	(40,651)
<b>REVENUE WITHOUT DONOR RESTRICTIONS</b>				
Public support	510,798	-	-	510,798
Investment income, net	8,463	-	-	8,463
Net assets released from donor restrictions	(656,343)	-	-	(656,343)
Change in net assets with donor restrictions	(137,082)	-	-	(137,082)
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ 119,267</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (177,733)</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, 2019

	<u>St. Ann's</u>	<u>St. Ann's Trust</u>	<u>Eliminations</u>	<u>Combined</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Net assets at beginning of year	\$ 3,747,019	\$ 5,932,391	\$ -	\$ 9,679,410
Changes in net assets without donor restrictions	256,349	(297,000)	-	(40,651)
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR</b>	<b><u>\$ 4,003,368</u></b>	<b><u>\$ 5,635,391</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,638,759</u></b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Net assets at beginning of year	\$ 488,863	\$ -	\$ -	\$ 488,863
Changes in net assets with donor restrictions	(137,082)	-	-	(137,082)
<b>NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR</b>	<b><u>\$ 351,781</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 351,781</u></b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b><u>\$ 4,355,149</u></b>	<b><u>\$ 5,635,391</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,990,540</u></b>

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

SCHEDULE OF ALLOWABLE COSTS - ADOLESCENT MOTHERS AND BABIES  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget (Unaudited)	Actual	Daily Rates (See Note 3)
Salaries and related expenses	\$ 849,576	\$ 834,068	
Contributed services	64,800	64,800	
Rent	135,360	135,360	
Dietary services and supplies	114,491	108,606	
Professional fees	20,000	10,630	
Telecommunications	5,838	5,838	
Insurance, utilities and maintenance	103,727	101,623	
Transportation	3,000	6,172	
Staff training, assistance to individuals, membership, and other	18,300	39,828	
	<u>1,315,092</u>	<u>1,306,925</u>	
Total direct expenses before depreciation	1,315,092	1,306,925	
Depreciation	65,000	46,390	
	<u>1,380,092</u>	<u>1,353,315</u>	
Total expenses after depreciation	1,380,092	1,353,315	
Allocation of general and administration expenses (Note 2)	-	221,794	
	<u>-</u>	<u>221,794</u>	
Total actual expenses	1,380,092	1,575,108	
Less: Unallowable contributed services	(64,800)	(64,800)	
	<u>(64,800)</u>	<u>(64,800)</u>	
Total actual expenses less unallowable costs	1,315,292	1,510,308	
Less: Credits (Note 4)			
United Way Contributions	(37,500)	(21,211)	
Contributions and grants	(157,000)	(138,297)	
	<u>(194,500)</u>	<u>(159,508)</u>	
<b>NET PROGRAM EXPENSES</b>	<b><u>\$ 1,120,792</u></b>	<b><u>\$ 1,350,800</u></b>	

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

**SCHEDULE OF ALLOWABLE COSTS - ADOLESCENT MOTHERS AND BABIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget (Unaudited)	Actual	Daily Rates (See Note 3)
<b>DISCOUNTED DAILY RATE</b>			<b><u>\$ 747.95</u></b>
<b>NEGOTIATED DAILY RATE</b>			<b><u>\$ 199.68</u></b>
<b>NEGOTIATED MONTHLY RATE</b>			<b><u>\$ 6,074</u></b>
Total allowable program expenses		\$ 1,350,800	
			<u>% Md. Units</u>
Maryland service units		1,641	90.86
Total service units		1,806	
Maryland's share of expenses (Total expenses X Md. %)		\$ 1,227,388	
D.H.R. Allowable Billing: 1,222 days X \$199.68/day =		244,009	
<b>D.H.R. Actual Billing</b>		<b><u>\$ 244,202</u></b>	
D.J.S. Allowable Billing: 102 days X \$199.68/day =		\$ 20,367	
11 months X \$6,074/month =		66,814	
Total D.J.S. Allowable Billing		87,181	
<b>D.J.S. ACTUAL BILLING</b>		<b><u>\$ 87,427</u></b>	
D.H.R FY 2018 Cash receipts		\$ 225,984	
D.J.S. FY 2018 Cash receipts		\$ 82,771	
Expenses related to DHR		\$ 959,818	
Expenses related to D.J.S.		\$ 267,571	

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

**NOTES TO SUPPLEMENTAL SCHEDULES  
JUNE 30, 2019**

**1. PRESENTATION OF ALLOWABLE COST SCHEDULES**

St. Ann's is required by the State of Maryland to present the accompanying allowable cost schedule detailing St. Ann's actual costs in comparison with St. Ann's negotiated rates.

**2. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses are allocated to each service function based upon the ratio of total service function expense as a percentage of total program expenses.

**3. CALCULATION OF ACTUAL DAILY RATES**

Actual overall daily rates are calculated as follows for the year ended June 30, 2019:

	<b>Adolescent Mothers and Babies</b>
<b>TOTAL ALLOWABLE COST</b>	<b>\$ <u>1,350,800</u></b>
<b>DAYS OF SERVICE RENDERED</b>	<b><u>1,806</u></b>
<b>ACTUAL DISCOUNTED DAILY RATE</b>	<b>\$ <u>748</u></b>
<b>NEGOTIATED DAILY RATES</b>	<b>\$ <u>199</u></b>

**4. PROGRAM FEES**

For the year ended June 30, 2019, total revenues earned for programs funded in part by SSA were:

<b>Adolescent Mothers and Babies</b>	<b>\$ <u>381,117</u></b>
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## CPAs & ADVISORS

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

#### Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of St. Ann's Center for Children, Youth and Families (St. Ann's) as of and for the year ended June 30, 2019, and the related notes to the combined financial statements, which collectively comprise St. Ann's basic combined financial statements, and have issued our report thereon dated November 2, 2019.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered St. Ann's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Ann's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Ann's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of St. Ann's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Ann's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 2, 2019