

COMBINED FINANCIAL STATEMENTS

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

**FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

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, 2020 and 2019, 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.

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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, 2020 and 2019, 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.

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 20 - 24 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 December 17, 2020 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.



December 17, 2020

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

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,470,175	\$ 929,941
Investments	212,774	343,787
Pledges receivable	74,273	55,905
Accounts receivable	78,646	48,002
Prepaid expenses	37,658	29,103
Property and equipment, net of accumulated depreciation and amortization of \$2,294,164 and \$2,083,154, respectively	2,383,269	2,518,986
Investments - long-term	6,461,811	6,098,035
Investments held in Trust	<u>272,053</u>	<u>278,936</u>
TOTAL ASSETS	<u>\$ 10,990,659</u>	<u>\$ 10,302,695</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Note payable	\$ 475,000	\$ -
Accounts payable and other accrued expenses	56,261	82,216
Accrued payroll expenses	21,404	98,070
Accrued vacation benefits	117,945	131,869
Deferred program service fees	<u>48,050</u>	<u>-</u>
Total liabilities	<u>718,660</u>	<u>312,155</u>

NET ASSETS

Without donor restrictions:		
Undesignated	3,413,999	3,540,724
Designated for long-term investment	<u>6,461,811</u>	<u>6,098,035</u>
Total without donor restrictions	9,875,810	9,638,759
With donor restrictions	<u>396,189</u>	<u>351,781</u>
Total net assets	<u>10,271,999</u>	<u>9,990,540</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,990,659</u>	<u>\$ 10,302,695</u>

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, 2020 AND 2019**

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Program Service Fees - Private	\$ 296,731	\$ -	\$ 296,731
Program Service Fees - Government Agencies	700,686	-	700,686
Public support	1,973,257	675,923	2,649,180
Investment income, net	333,172	6,993	340,165
Contributed services and materials	708,000	-	708,000
Rental income	166,200	-	166,200
Special events	6,912	-	6,912
Net assets released from donor restrictions	<u>638,508</u>	<u>(638,508)</u>	<u>-</u>
Total support and revenue	<u>4,823,466</u>	<u>44,408</u>	<u>4,867,874</u>
EXPENSES			
Program Services:			
Day Care	1,194,817	-	1,194,817
Adolescent Mothers and Babies	1,448,779	-	1,448,779
Education/Employment	252,980	-	252,980
Transitional Housing	<u>792,243</u>	<u>-</u>	<u>792,243</u>
Total program services	<u>3,688,819</u>	<u>-</u>	<u>3,688,819</u>
Supporting Services:			
General and Administrative	510,866	-	510,866
Fundraising	<u>386,730</u>	<u>-</u>	<u>386,730</u>
Total supporting services	<u>897,596</u>	<u>-</u>	<u>897,596</u>
Total expenses	<u>4,586,415</u>	<u>-</u>	<u>4,586,415</u>
Changes in net assets	237,051	44,408	281,459
Net assets at beginning of year	<u>9,638,759</u>	<u>351,781</u>	<u>9,990,540</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,875,810</u>	<u>\$ 396,189</u>	<u>\$ 10,271,999</u>

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 405,494	\$ -	\$ 405,494
627,264	-	627,264
1,045,102	510,798	1,555,900
515,328	8,463	523,791
708,000	-	708,000
168,220	-	168,220
316,791	-	316,791
<u>656,343</u>	<u>(656,343)</u>	<u>-</u>
<u>4,442,542</u>	<u>(137,082)</u>	<u>4,305,460</u>
1,109,785	-	1,109,785
1,353,315	-	1,353,315
249,803	-	249,803
<u>806,214</u>	<u>-</u>	<u>806,214</u>
<u>3,519,117</u>	<u>-</u>	<u>3,519,117</u>
578,521	-	578,521
<u>385,555</u>	<u>-</u>	<u>385,555</u>
<u>964,076</u>	<u>-</u>	<u>964,076</u>
<u>4,483,193</u>	<u>-</u>	<u>4,483,193</u>
(40,651)	(137,082)	(177,733)
<u>9,679,410</u>	<u>488,863</u>	<u>10,168,273</u>
<u>\$ 9,638,759</u>	<u>\$ 351,781</u>	<u>\$ 9,990,540</u>

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, 2020**

	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	\$ 910,791	\$ 944,883	\$ 144,777	\$ 367,714	\$ 2,368,165	\$ 133,689	\$ 343,723	\$ 477,412	\$ 2,845,577
Contributed services	-	64,800	7,200	57,600	129,600	14,400	-	14,400	144,000
Professional fees	23,354	34,768	7,885	24,109	90,116	71,589	3,683	75,272	165,388
Advertising and promotion	-	-	-	-	-	-	2,375	2,375	2,375
Supplies and materials	34,590	111,204	6,032	28,943	180,769	9,223	2,214	11,437	192,206
Telecommunications	2,785	5,830	1,130	5,808	15,553	3,249	-	3,249	18,802
Postage expense	-	-	-	-	-	3,636	5,412	9,048	9,048
Rent	112,800	135,360	45,120	141,000	434,280	129,720	-	129,720	564,000
Utilities and facility maintenance	63,710	76,452	25,484	89,079	254,725	89,185	34	89,219	343,944
Printing and production	-	-	-	-	-	574	18,328	18,902	18,902
Transportation	-	2,074	-	886	2,960	188	-	188	3,148
Staff training	2,997	11,501	-	4,555	19,053	4,952	-	4,952	24,005
Assistance to individuals	10	9,602	-	62	9,674	-	-	-	9,674
Membership	5,400	6,250	-	5,400	17,050	2,115	4,643	6,758	23,808
Banking fees	-	-	-	-	-	4,210	1,478	5,688	5,688
Depreciation and amortization	38,380	46,055	15,352	67,087	166,874	44,136	-	44,136	211,010
Events and meetings	-	-	-	-	-	-	4,840	4,840	4,840
TOTAL	\$ 1,194,817	\$ 1,448,779	\$ 252,980	\$ 792,243	\$ 3,688,819	\$ 510,866	\$ 386,730	\$ 897,596	\$ 4,586,415

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, 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
TOTAL	\$ 1,109,785	\$ 1,353,315	\$ 249,803	\$ 806,214	\$ 3,519,117	\$ 578,521	\$ 385,555	\$ 964,076	\$ 4,483,193

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 281,459	\$ (177,733)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	211,010	212,507
Realized gain on sale of investments	(259,802)	(220,456)
Unrealized loss (gain) on investments	63,087	(150,149)
Loss on disposal fixed assets	32,263	-
Decrease in assets held in Trust	6,883	836
(Increase) decrease in:		
Pledges receivable	(18,368)	14,329
Accounts receivable	(30,644)	34,497
Prepaid expenses	(8,555)	(2,118)
(Decrease) increase in:		
Accounts payable and other accrued expenses	(25,955)	36,382
Accrued payroll expenses	(76,666)	1,860
Accrued vacation benefits	(13,924)	21,078
Deferred program service fees	<u>48,050</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>208,838</u>	<u>(228,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(980,335)	(546,549)
Proceeds from sale of investments	944,287	897,976
Purchase of property and equipment	<u>(107,556)</u>	<u>(110,374)</u>
Net cash (used) provided by investing activities	<u>(143,604)</u>	<u>241,053</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>475,000</u>	<u>-</u>
Net cash provided by financing activities	<u>475,000</u>	<u>-</u>
Net increase in cash and cash equivalents	540,234	12,086
Cash and cash equivalents at beginning of year	<u>929,941</u>	<u>917,855</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,470,175</u>	<u>\$ 929,941</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

St. Ann's Center for Children, 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 Children, Youth and Families.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

For the years ended June 30, 2020 and June 30, 2019, the financial statements of St. Ann's have been combined with the Trust (collectively referred to as "St. Ann's") in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

New accounting pronouncements adopted -

Also during 2019, St. Ann's adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

New accounting pronouncements adopted (continued) -

This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. St. Ann's adopted the ASU using a modified prospective basis.

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. 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 Center for Children, Youth and Families is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

Income taxes (continued) -

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, 2020 and 2019, 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.

Contributions and public support -

The majority of St. Ann's's revenue is received through contributions and public support. Contributions and public support is recognized in the appropriate category of net assets in the period received. St. Ann's performs an analysis of contributions and support to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions and public support qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and public support and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying combined financial statements.

Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, St. Ann's recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). St. Ann's did not have any grants or contracts that were classified as conditional.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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).

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact St. Ann's' operations. The overall potential impact is unknown at this time.

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 -

FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

New accounting pronouncements not yet adopted (continued) -

The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Combined Statements of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

St. Ann's plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying combined financial statements.

2. INVESTMENTS

Investments consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equities	\$ 3,590,860	\$ 3,721,706
Mutual funds, CTFs and UITs	966,616	603,963
Fixed income - bonds	2,117,109	2,116,153
Investments held in Trust	<u>272,053</u>	<u>278,936</u>
TOTAL INVESTMENTS	<u>\$ 6,946,638</u>	<u>\$ 6,720,758</u>

Included in investment income are the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 189,526	\$ 186,398
Change in value of assets held in trust	(6,883)	(836)
Realized gain on sale of investments	259,802	220,456
Unrealized (loss) gain on investments	<u>(63,087)</u>	<u>150,149</u>
	379,358	556,167
Less: Investment fees	<u>(39,193)</u>	<u>(32,376)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 340,165</u>	<u>\$ 523,791</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restricted activity consisted of the following for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>2020 Additions</u>	<u>2020 Releases</u>	<u>Ending Balance</u>
Memorial Fund	\$ 124,648	\$ 8,578	\$ (3,497)	\$ 129,729
Time restricted	<u>227,133</u>	<u>674,338</u>	<u>(635,011)</u>	<u>266,460</u>
TOTAL	<u>\$ 351,781</u>	<u>\$ 682,916</u>	<u>\$ (638,508)</u>	<u>\$ 396,189</u>

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>
Memorial Fund	\$ 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>
TOTAL	<u>\$ 488,863</u>	<u>\$ 519,261</u>	<u>\$ (656,343)</u>	<u>\$ 351,781</u>

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,470,175	\$ 929,941
Investments	212,774	343,787
Pledges receivable	74,273	55,905
Accounts receivable	78,646	48,002
Designated for long-term investment	(6,461,811)	(6,098,035)
Amounts restricted by donor-purpose	<u>(129,729)</u>	<u>(124,648)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ (4,755,672)** **\$ (4,845,048)**

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, 2020 and June 30, 2019, 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. St. Ann's pays \$564,000 annually and is reimbursed for that amount. The agreement with the Archdiocese is renewed annually.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. LEASE COMMITMENT (Continued)

Operating lease (continued) -

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>	
2021	\$ 114,000
2022	114,000
2023	<u>6,000</u>
	<u>\$ 234,000</u>

Rental income for the years ended June 30, 2020 and 2019 totaled \$166,200 and \$168,220, respectively.

6. LOAN PAYABLE

On May 5, 2020, St. Ann's received loan proceeds in the amount of \$475,000 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months.

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. St. Ann's intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. St. Ann's intends to apply for forgiveness after completing the 18 week period. If forgiveness is granted, St. Ann's will record revenue from debt extinguishments during the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

<u>Year Ending June 30,</u>	
2021	\$ 178,125
2022	237,500
2023	<u>59,375</u>
	<u>\$ 475,000</u>

7. RELATED PARTY TRANSACTIONS

St. Ann's paid \$70,973 and \$68,035, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2020 and 2019. St. Ann's also received contributions in the amount of \$564,000 from the Archdiocese for each of the years ended June 30, 2020 and 2019, respectively. This is paid by St. Ann's and reimbursed as a contribution by the Archdiocese. The value received from the Archdiocese approximates the fair value of rent for St. Ann's facility. See Note 5 for discussion of the lease commitment with the Archdiocese.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

8. CONTRIBUTED SERVICES AND MATERIALS

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, 2020 and 2019.

9. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 included the following:

	<u>2020</u>	<u>2019</u>
Building	\$ 712,784	\$ 712,784
Building and grounds improvements	3,451,487	3,452,780
Grounds equipment	249,514	249,514
Office furniture and equipment	227,517	150,931
Computer equipment	14,879	14,879
Transportation equipment	<u>21,252</u>	<u>21,252</u>
 Total property and equipment	 4,677,433	 4,602,140
Less: Accumulated depreciation and amortization	<u>(2,294,164)</u>	<u>(2,083,154)</u>
 PROPERTY AND EQUIPMENT, NET	 <u>\$ 2,383,269</u>	 <u>\$ 2,518,986</u>

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, St. Ann's has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

10. FAIR VALUE MEASUREMENT (Continued)

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, 2020.

- *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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Equities	\$ 3,590,860	\$ -	\$ -	\$ 3,590,860
Mutual funds, CTFs and UITs	966,616	-	-	966,616
Fixed income - bonds	-	2,117,109	-	2,117,109
Assets held in Trust	<u>272,053</u>	<u>-</u>	<u>-</u>	<u>272,053</u>
TOTAL	<u>\$ 4,829,529</u>	<u>\$ 2,117,109</u>	<u>\$ -</u>	<u>\$ 6,946,638</u>

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>
Asset Class:				
Equities	\$ 3,721,706	\$ -	\$ -	\$ 3,721,706
Mutual funds, CTFs and UITs	603,963	-	-	603,963
Fixed income - bonds	-	2,116,153	-	2,116,153
Assets held in Trust	<u>278,936</u>	<u>-</u>	<u>-</u>	<u>278,936</u>
TOTAL	<u>\$ 4,604,605</u>	<u>\$ 2,116,153</u>	<u>\$ -</u>	<u>\$ 6,720,758</u>

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

11. INVESTMENTS HELD IN TRUST

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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through December 17, 2020, 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, 2020

	St. Ann's	St. Ann's Trust	Eliminations	Combined
ASSETS				
Cash and cash equivalents	\$ 873,233	\$ 596,942	\$ -	\$ 1,470,175
Investments	212,774	-	-	212,774
Pledges receivable	74,273	-	-	74,273
Accounts receivable	78,646	-	-	78,646
Prepaid expenses	37,658	-	-	37,658
Property and equipment, net of accumulated depreciation and amortization of \$2,294,164	2,383,269	-	-	2,383,269
Investments - long term	596,942	5,864,869	-	6,461,811
Investments held in Trust	272,053	-	-	272,053
TOTAL ASSETS	\$ 4,528,848	\$ 6,461,811	\$ -	\$ 10,990,659
LIABILITIES AND NET ASSETS				
LIABILITIES				
Notes payable	\$ 475,000	\$ -	\$ -	\$ 475,000
Accounts payable and other accrued expenses	56,261	-	-	56,261
Accrued payroll expenses	21,404	-	-	21,404
Accrued vacation benefits	117,945	-	-	117,945
Deferred program service fees	48,050	-	-	48,050
Total liabilities	718,660	-	-	718,660
NET ASSETS				
Without donor restrictions:				
Undesignated	3,413,999	-	-	3,413,999
Designated for long-term investment	-	6,461,811	-	6,461,811
Total without donor restrictions	3,413,999	6,461,811	-	9,875,810
With donor restrictions	396,189	-	-	396,189
Total net assets	3,810,188	6,461,811	-	10,271,999
TOTAL LIABILITIES AND NET ASSETS	\$ 4,528,848	\$ 6,461,811	\$ -	\$ 10,990,659

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, 2020

	St. Ann's	St. Ann's Trust	Eliminations	Combined
REVENUE WITHOUT DONOR RESTRICTIONS				
Program Service Fees - Private	\$ 296,731	\$ -	\$ -	\$ 296,731
Program Service Fees - Government				
Agencies	700,686	-	-	700,686
Public support	1,973,257	-	-	1,973,257
Investment (loss) income	(30,603)	363,775	-	333,172
Contributed services and materials	708,000	-	-	708,000
Rental income	166,200	-	-	166,200
Special events	6,912	-	-	6,912
Net assets released from donor restrictions	638,508	-	-	638,508
	<u>4,459,691</u>	<u>363,775</u>	<u>-</u>	<u>4,823,466</u>
EXPENSES				
Program Services:				
Day Care	1,194,817	-	-	1,194,817
Adolescent Mothers and Babies	1,448,779	-	-	1,448,779
Education/Employment	252,980	-	-	252,980
Transitional Housing	792,243	-	-	792,243
	<u>3,688,819</u>	<u>-</u>	<u>-</u>	<u>3,688,819</u>
Supporting Services:				
General and Administrative	510,866	-	-	510,866
Fundraising	386,730	-	-	386,730
	<u>897,596</u>	<u>-</u>	<u>-</u>	<u>897,596</u>
Total expenses	<u>4,586,415</u>	<u>-</u>	<u>-</u>	<u>4,586,415</u>
Change in net assets without donor restrictions	<u>(126,724)</u>	<u>363,775</u>	<u>-</u>	<u>237,051</u>
REVENUE WITH DONOR RESTRICTIONS				
Public support	675,923	-	-	675,923
Investment income, net	6,993	-	-	6,993
Net assets released from donor restrictions	(638,508)	-	-	(638,508)
Change in net assets with donor restrictions	<u>44,408</u>	<u>-</u>	<u>-</u>	<u>44,408</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ (82,316)</u>	<u>\$ 363,775</u>	<u>\$ -</u>	<u>\$ 281,459</u>

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, 2020

	St. Ann's	St. Ann's Trust	Eliminations	Combined
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 3,540,723	\$ 6,098,036	\$ -	\$ 9,638,759
Changes in net assets without donor restrictions	(126,724)	363,775	-	237,051
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	\$ 3,413,999	\$ 6,461,811	\$ -	\$ 9,875,810
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 351,781	\$ -	\$ -	\$ 351,781
Changes in net assets with donor restrictions	44,408	-	-	44,408
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	\$ 396,189	\$ -	\$ -	\$ 396,189
TOTAL NET ASSETS AT END OF YEAR	\$ 3,810,188	\$ 6,461,811	\$ -	\$ 10,271,999

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, 2020

	Budget (Unaudited)	Actual	Daily Rates (See Note 3)
Salaries and related expenses	\$ 819,905	\$ 944,883	
Contributed services	64,800	64,800	
Rent	135,360	135,360	
Dietary services and supplies	115,011	111,204	
Professional fees	20,000	34,768	
Telecommunications	7,826	5,830	
Insurance, utilities and maintenance	101,739	76,452	
Transportation	3,000	2,074	
Staff training, assistance to individuals, membership, and other	<u>18,300</u>	<u>27,353</u>	
Total direct expenses before depreciation	1,285,941	1,402,724	
Depreciation	<u>65,000</u>	<u>46,055</u>	
Total expenses after depreciation	1,350,941	1,448,779	
Allocation of general and administration expenses (Note 2)	<u>-</u>	<u>201,254</u>	
Total actual expenses	1,350,941	1,650,033	
Less: Unallowable contributed services	<u>(64,800)</u>	<u>(64,800)</u>	
Total actual expenses less unallowable costs	1,286,141	1,585,233	
Less: Credits (Note 4)			
United Way Contributions	(25,000)	(15,788)	
Contributions and grants	<u>(157,000)</u>	<u>(147,988)</u>	
NET PROGRAM EXPENSES	<u>\$ 1,104,141</u>	<u>\$ 1,421,457</u>	

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, 2020**

	Budget (Unaudited)	Actual	Daily Rates (See Note 3)
DISCOUNTED DAILY RATE			<u>\$ 934.55</u>
NEGOTIATED DAILY RATE			<u>\$ 202.91</u>
NEGOTIATED MONTHLY RATE			<u>\$ 6,189</u>
Total allowable program expenses		\$ 1,421,457	
			<u>% Md. Units</u>
Maryland service units		1,439	94.61
Total service units		1,521	
Maryland's share of expenses (Total expenses X Md. %)		\$ 1,344,824	
D.H.R. Allowable Billing: 1,256 days X \$202.91/day =		<u>254,855</u>	
D.H.R. Actual Billing		<u>\$ 254,848</u>	
D.J.S. Allowable Billing: 6 months X \$6189/month		\$ 37,134	
Total D.J.S. Allowable Billing		<u>37,134</u>	
D.J.S. ACTUAL BILLING		<u>\$ 37,134</u>	
D.H.R FY 2020 Cash receipts		\$ 254,848	
D.J.S. FY 2020 Cash receipts		\$ 37,134	
Expenses related to DHR		\$ 1,172,686	
Expenses related to D.J.S.		\$ 172,137	

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

**NOTES TO SUPPLEMENTAL SCHEDULES
JUNE 30, 2020**

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, 2020:

	Adolescent Mothers and Babies
	<u> </u>
TOTAL ALLOWABLE COST	\$ <u>1,421,457</u>
DAYS OF SERVICE RENDERED	<u>1,521</u>
ACTUAL DISCOUNTED DAILY RATE	\$ <u>935</u>
NEGOTIATED DAILY RATES	\$ <u>203</u>

4. PROGRAM FEES

For the year ended June 30, 2020, total revenues earned for programs funded in part by SSA were:

Adolescent Mothers and Babies	\$ <u>464,330</u>
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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, 2020, 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 December 17, 2020.

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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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 St. Ann'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".

December 17, 2020