

FINANCIAL STATEMENTS

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

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the St. Ann's Center for Children, Youth and Families (St. Ann's), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Ann's as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

Bethesda, Maryland
October 8, 2013

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

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 484,637	\$ 1,126,572
Investments (Notes 2 and 8)	5,579,310	4,798,507
Pledges receivable	262,260	69,677
Accrued interest receivable	5,615	7,379
Accounts receivable	65,959	290,788
Food inventory (Note 6)	5,916	7,927
Prepaid expenses	1,605	-
Property and equipment, net of accumulated depreciation of \$3,954,876 and \$3,754,080, respectively (Note 7)	3,019,642	3,177,878
Assets held in Trust (Notes 8 and 9)	<u>267,132</u>	<u>245,021</u>
TOTAL ASSETS	<u>\$ 9,692,076</u>	<u>\$ 9,723,749</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and other accrued expenses	\$ 113,836	\$ 71,364
Accrued payroll expenses	64,343	63,921
Accrued vacation benefits	121,698	137,137
Amounts due to annuitants under split interest agreements (Note 9)	-	1,815
Refundable advance	34,609	34,609
Other current liabilities	<u>5,532</u>	<u>-</u>
Total liabilities	<u>340,018</u>	<u>308,846</u>

NET ASSETS

Unrestricted:		
Undesignated	896,598	1,228,550
Designated for long-term investment	<u>5,581,345</u>	<u>5,581,345</u>
Total unrestricted net assets	6,477,943	6,809,895
Temporarily restricted (Note 3)	<u>2,874,115</u>	<u>2,605,008</u>
Total net assets	<u>9,352,058</u>	<u>9,414,903</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,692,076</u>	<u>\$ 9,723,749</u>

ST. ANN'S CENTER FOR CHILDREN, YOUTH AND FAMILIES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Program Service Fees - Private	\$ 526,559	\$ -	\$ 526,559
Program Service Fees - Government Agencies	907,844	-	907,844
Public support	854,489	1,125,746	1,980,235
Investment income (Note 2)	563,923	-	563,923
Contributed services and materials (Notes 5 and 6)	708,000	-	708,000
Rental income	45,498	-	45,498
Special events	178,654	-	178,654
Other revenue	23,061	-	23,061
Net assets released from donor restrictions	<u>856,639</u>	<u>(856,639)</u>	<u>-</u>
Total revenue	<u>4,664,667</u>	<u>269,107</u>	<u>4,933,774</u>
EXPENSES			
Program Services:			
Children	899,174	-	899,174
Day Care	1,073,566	-	1,073,566
Adolescent Mothers and Babies	1,355,886	-	1,355,886
High School	367,578	-	367,578
Food Service	86,718	-	86,718
Faith House	156,169	-	156,169
Social Services	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	<u>3,939,091</u>	<u>-</u>	<u>3,939,091</u>
Supporting Services:			
General and Administrative	834,955	-	834,955
Fundraising	<u>222,573</u>	<u>-</u>	<u>222,573</u>
Total supporting services	<u>1,057,528</u>	<u>-</u>	<u>1,057,528</u>
Total expenses	<u>4,996,619</u>	<u>-</u>	<u>4,996,619</u>
Changes in net assets	(331,952)	269,107	(62,845)
Net assets at beginning of year	<u>6,809,895</u>	<u>2,605,008</u>	<u>9,414,903</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,477,943</u>	<u>\$ 2,874,115</u>	<u>\$ 9,352,058</u>

See accompanying notes to financial statements.

2012		
Unrestricted	Temporarily Restricted	Total
\$ 498,769	\$ -	\$ 498,769
1,644,751	-	1,644,751
957,232	1,481,581	2,438,813
80,917	-	80,917
708,000	-	708,000
36,456	-	36,456
152,458	-	152,458
1,075	-	1,075
<u>752,406</u>	<u>(752,406)</u>	<u>-</u>
<u>4,832,064</u>	<u>729,175</u>	<u>5,561,239</u>
1,457,513	-	1,457,513
925,293	-	925,293
1,199,407	-	1,199,407
291,807	-	291,807
94,346	-	94,346
97,241	-	97,241
<u>41,040</u>	<u>-</u>	<u>41,040</u>
<u>4,106,647</u>	<u>-</u>	<u>4,106,647</u>
715,735	-	715,735
<u>204,657</u>	<u>-</u>	<u>204,657</u>
<u>920,392</u>	<u>-</u>	<u>920,392</u>
<u>5,027,039</u>	<u>-</u>	<u>5,027,039</u>
(194,975)	729,175	534,200
<u>7,004,870</u>	<u>1,875,833</u>	<u>8,880,703</u>
<u>\$ 6,809,895</u>	<u>\$ 2,605,008</u>	<u>\$ 9,414,903</u>

See accompanying notes to financial statements.

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

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

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

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

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

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

Supporting Services						
Faith House	Social Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 49,153	\$ 191,748	\$ 2,966,227	\$ 182,515	\$ 153,711	\$ 336,226	\$ 3,302,453
-	-	-	-	18,123	18,123	18,123
13	5,648	104,982	25,512	-	25,512	130,494
-	33,840	411,720	152,280	-	152,280	564,000
-	144	47,228	40,081	-	40,081	87,309
-	4,039	70,519	17,503	-	17,503	88,022
25,527	5,574	93,346	25,084	-	25,084	118,430
-	-	-	4,374	2,459	6,833	6,833
12,780	8,355	135,599	46,807	-	46,807	182,406
-	683	80,125	37,274	428	37,702	117,827
-	-	29	-	-	-	29
-	-	101	-	-	-	101
-	-	-	-	28,827	28,827	28,827
9,768	741	27,617	129,640	1,037	130,677	158,294
-	7,200	122,400	21,600	-	21,600	144,000
-	-	14,351	4,353	-	4,353	18,704
-	-	32,403	28,712	72	28,784	61,187
97,241	257,972	4,106,647	715,735	204,657	920,392	5,027,039
-	(216,932)	-	-	-	-	-
-	-	-	-	-	-	-
\$ 97,241	\$ 41,040	\$ 4,106,647	\$ 715,735	\$ 204,657	\$ 920,392	\$ 5,027,039

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (62,845)	\$ 534,200
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	200,794	118,430
Realized gain on sale of investments	(138,069)	(20,336)
Unrealized (gain) loss on investments	(297,129)	156,742
Stock donations	-	(77,934)
Increase in bond premium	(9,900)	(7,254)
(Increase) decrease of assets held in Trust	(22,111)	9,150
(Increase) decrease in:		
Pledges receivable	(192,583)	5,694
Accrued interest receivable	1,764	1,367
Accounts receivable	224,829	256,220
Food inventory	2,011	4,302
Prepaid expenses	(1,605)	37,578
Increase (decrease) in:		
Accounts payable and other accrued expenses	42,472	(111,225)
Accrued payroll expenses	422	15,718
Accrued vacation benefits	(15,439)	12,221
Refundable advance	-	34,609
Other current liabilities	<u>5,532</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(261,857)</u>	<u>969,482</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,186,778)	(386,986)
Proceeds from sale of investments	851,073	419,399
Purchase of property and equipment	<u>(42,558)</u>	<u>(935,783)</u>
Net cash used by investing activities	<u>(378,263)</u>	<u>(903,370)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to annuitants under split interest agreements	<u>(1,815)</u>	<u>(2,280)</u>
Net cash used by financing activities	<u>(1,815)</u>	<u>(2,280)</u>
Net (decrease) increase in cash and cash equivalents	(641,935)	63,832
Cash and cash equivalents at beginning of year	<u>1,126,572</u>	<u>1,062,740</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 484,637</u>	<u>\$ 1,126,572</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

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

Basis of presentation -

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

Cash and cash equivalents -

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

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

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets. Bond premiums are being amortized over the term of the bonds and is included in investment income.

Accounts and pledges receivable -

Accounts and pledges receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Property and equipment -

Property and equipment in excess of \$2,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to twenty years. The cost of maintenance and repairs is recorded as expenses are incurred.

Inventory -

Inventory consists of food for dietary services, which is recorded at the values established by the State of Maryland.

Income taxes -

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Uncertain tax positions -

For the years ended June 30, 2013 and 2012, St. Ann's has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of St. Ann's and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of St. Ann's and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

St. Ann's receives funding under grants from state and local governments. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Funding received in advance of incurring the related expenses is recorded as a refundable advance.

Use of estimates -

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs -

St. Ann's expenses costs associated with advertising as they are incurred. For the years ended June 30, 2013 and 2012, advertising expense totaled \$350 and \$101, respectively.

Risks and uncertainties -

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

Fair value measurement -

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

St. Ann's accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported change in net assets.

2. INVESTMENTS

Investments consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Common stocks	\$ 2,749,232	\$ 2,386,968
Corporate obligations	545,517	721,545
U.S. Government obligations	49,890	49,410
Mutual funds	<u>2,234,671</u>	<u>1,640,584</u>
TOTAL INVESTMENTS	<u>\$ 5,579,310</u>	<u>\$ 4,798,507</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

2. INVESTMENTS (Continued)

Included in investment income are the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 157,930	\$ 244,854
Realized gain on sale of investments	138,069	20,336
Unrealized gain (loss) on investments	<u>297,129</u>	<u>(156,742)</u>
	593,128	108,448
Less: Investment fees	<u>(29,205)</u>	<u>(27,531)</u>
TOTAL INVESTMENT INCOME	<u>\$ 563,923</u>	<u>\$ 80,917</u>

3. TEMPORARILY RESTRICTED NET ASSETS

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

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

Temporarily restricted net assets activity consisted of the following for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>2012 Additions</u>	<u>2012 Releases</u>	<u>Ending Balance</u>
Facility modernization	\$ 1,466,428	\$ 830,477	\$ (20,393)	\$ 2,276,512
Billerbeck Foundation	20,250	10,850	-	31,100
Time restricted	<u>389,155</u>	<u>640,254</u>	<u>(732,013)</u>	<u>297,396</u>
TOTAL	<u>\$ 1,875,833</u>	<u>\$ 1,481,581</u>	<u>\$ (752,406)</u>	<u>\$ 2,605,008</u>

4. LEASE COMMITMENT

Operating lease -

St. Ann's pays \$564,000 per year to the Archdiocese as rent for the land and building used by St. Ann's. The agreement with the Archdiocese is renewed annually.

St. Ann's recognized rental income throughout the year from subleasing a portion of space to various parties. Monthly payments were based on pre-determined monthly rates with no future minimum commitments due to the parties being on a month-to-month basis.

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5. RELATED PARTY TRANSACTIONS

St. Ann's paid \$81,764 and \$89,760, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2013 and 2012. St. Ann's also received contributions of \$564,000 and \$564,000, respectively, from the Archdiocese for the years ended June 30, 2013 and 2012. The value received from the Archdiocese approximates the fair value of rent for the St. Ann's facility. See Note 4 for discussion of the lease commitment with the Archdiocese.

6. NONCASH CONTRIBUTIONS

Contributed services -

St. Ann's records contributed services as income and expense for the difference between the stipend St. Ann's pays the sisters who work in St. Ann's programs and the fair value of the services. Contributed program services totaled \$144,000 and \$144,000, respectively, for the years ended June 30, 2013 and 2012.

Contributed commodities -

St. Ann's receives certain commodities from the State of Maryland. The value of those contributed commodities is established by the state. The amount of commodities held at June 30, 2013 and 2012 is shown as food inventory in the accompanying Statements of Financial Position.

7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 and 2012 included the following:

	<u>2013</u>	<u>2012</u>
Building	\$ 735,284	\$ 712,783
Building and grounds improvements	4,501,315	2,527,128
Grounds equipment	784,804	754,498
Furnishings	301,716	301,716
Office furniture and equipment	150,637	150,637
Computer equipment	353,343	353,343
Transportation equipment	<u>147,419</u>	<u>147,419</u>
Total property and equipment	6,974,518	4,947,524
Less: Accumulated depreciation	(3,954,876)	(3,754,080)
Rehabilitation in progress	<u>-</u>	<u>1,984,434</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 3,019,642</u>	<u>\$ 3,177,878</u>

8. FAIR VALUE MEASUREMENT

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

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8. FAIR VALUE MEASUREMENT (Continued)

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

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

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

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

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

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

The table below summarizes, by level within the fair value hierarchy, St. Ann's investments as of June 30, 2012:

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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

9. SPLIT INTEREST AGREEMENTS

Assets held in Trust consist of investments received from an outside donor held for a beneficiary other than St. Ann's. The beneficiary receives monthly payments from the Trust until the death of the beneficiary. Upon the death of the beneficiary, the remaining assets will be distributed to St. Ann's. St. Ann's has control over the management of the Trust investments. St. Ann's is also a party to a perpetual Trust establishing St. Ann's as a beneficiary. St. Ann's receives current income earned by the Trust. The corpus of the Trust will be held in-perpetuity by a third party. St. Ann's has recorded its interest in this Trust as part of Assets held in Trust in the accompanying Statements of Financial Position.

10. SUBSEQUENT EVENTS

In preparing these financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through October 8, 2013, the date the financial statements were issued.