

COMBINED FINANCIAL STATEMENTS

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

**FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

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, 2021 and 2020, 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, 2021 and 2020, 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 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 19, 2021 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 19, 2021

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

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 931,314	\$ 1,470,175
Investments	686,368	212,774
Pledges receivable	52,775	74,273
Accounts receivable	2,096,756	78,646
Prepaid expenses	43,951	37,658
Property and equipment, net of accumulated depreciation and amortization of \$2,452,667 and \$2,294,164, respectively	2,287,594	2,383,269
Investments - long-term	8,244,999	6,461,811
Investments held in Trust	<u>328,216</u>	<u>272,053</u>
TOTAL ASSETS	<u>\$ 14,671,973</u>	<u>\$ 10,990,659</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Note payable	\$ -	\$ 475,000
Accounts payable and other accrued expenses	76,192	56,261
Accrued payroll expenses	24,617	21,404
Accrued vacation benefits	127,317	117,945
Deferred program service fees	<u>8,502</u>	<u>48,050</u>
Total liabilities	<u>236,628</u>	<u>718,660</u>

NET ASSETS

Without donor restrictions:		
Undesignated	3,743,543	3,413,999
Designated for long-term investment	<u>10,319,032</u>	<u>6,461,811</u>
Total without donor restrictions	14,062,575	9,875,810
With donor restrictions	<u>372,770</u>	<u>396,189</u>
Total net assets	<u>14,435,345</u>	<u>10,271,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,671,973</u>	<u>\$ 10,990,659</u>

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

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Program Service Fees - Private	\$ 250,549	\$ -	\$ 250,549
Program Service Fees - Government Agencies	733,365	-	733,365
Public support	3,146,106	430,368	3,576,474
Investment income, net	1,974,070	53,858	2,027,928
Contributed services and materials	708,000	-	708,000
Rental income	166,200	-	166,200
Events	465,649	-	465,649
Net assets released from donor restrictions	<u>507,645</u>	<u>(507,645)</u>	<u>-</u>
Total support and revenue	<u>7,951,584</u>	<u>(23,419)</u>	<u>7,928,165</u>
EXPENSES			
Program Services:			
Day Care	1,073,102	-	1,073,102
Adolescent Mothers and Babies	1,346,213	-	1,346,213
Education/Employment	199,039	-	199,039
Transitional Housing	<u>743,313</u>	<u>-</u>	<u>743,313</u>
Total program services	<u>3,361,667</u>	<u>-</u>	<u>3,361,667</u>
Supporting Services:			
General and Administrative	506,893	-	506,893
Fundraising	<u>375,943</u>	<u>-</u>	<u>375,943</u>
Total supporting services	<u>882,836</u>	<u>-</u>	<u>882,836</u>
Total expenses	<u>4,244,503</u>	<u>-</u>	<u>4,244,503</u>
Changes in net assets before other item	3,707,081	(23,419)	3,683,662
OTHER ITEM			
Gain on extinguishment of debt	<u>479,684</u>	<u>-</u>	<u>479,684</u>
Changes in net assets	4,186,765	(23,419)	4,163,346
Net assets at beginning of year	<u>9,875,810</u>	<u>396,189</u>	<u>10,271,999</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,062,575</u>	<u>\$ 372,770</u>	<u>\$ 14,435,345</u>

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

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	<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	333,172	6,993	340,165
Contributed services and materials	708,000	-	708,000
Rental income	166,200	-	166,200
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>

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, 2021**

	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	\$ 775,173	\$ 848,436	\$ 94,130	\$ 322,674	\$ 2,040,413	\$ 161,408	\$ 270,498	\$ 431,906	\$ 2,472,319
Contributed services	-	64,800	7,200	57,600	129,600	14,400	-	14,400	144,000
Professional fees	24,446	34,486	2,716	14,063	75,711	38,265	11,059	49,324	125,035
Advertising and promotion	-	-	-	-	-	-	650	650	650
Supplies and materials	36,326	106,064	5,079	26,272	173,741	15,260	1,348	16,608	190,349
Telecommunications	3,823	4,849	1,529	9,450	19,651	4,397	-	4,397	24,048
Postage expense	-	-	-	-	-	4,702	6,540	11,242	11,242
Contributed rent	112,800	135,360	45,120	141,000	434,280	129,720	-	129,720	564,000
Utilities and facility maintenance	66,629	79,955	26,652	95,521	268,757	85,545	1,422	86,967	355,724
Printing and production	-	-	-	-	-	-	42,860	42,860	42,860
Transportation	-	-	-	90	90	1,207	-	1,207	1,297
Staff training	1,770	4,035	-	85	5,890	2,399	-	2,399	8,289
Assistance to individuals	-	7,636	-	-	7,636	-	-	-	7,636
Membership	11,212	11,617	670	7,662	31,161	1,225	6,975	8,200	39,361
Interest expense	1,482	1,646	167	585	3,880	301	503	804	4,684
Banking fees	-	-	-	-	-	1,707	3,059	4,766	4,766
Miscellaneous	-	-	-	-	-	999	-	999	999
Depreciation and amortization	39,441	47,329	15,776	68,311	170,857	45,358	-	45,358	216,215
Events and meetings	-	-	-	-	-	-	31,029	31,029	31,029
TOTAL	\$ 1,073,102	\$ 1,346,213	\$ 199,039	\$ 743,313	\$ 3,361,667	\$ 506,893	\$ 375,943	\$ 882,836	\$ 4,244,503

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, 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
Contributed 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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 4,163,346	\$ 281,459
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	216,215	211,010
Realized gain on sale of investments	(569)	(259,802)
Unrealized (gain) loss on investments	(1,904,331)	63,087
Loss on disposal fixed assets	-	32,263
Forgiveness of debt	(475,000)	-
(Increase) decrease in assets held in Trust	(56,163)	6,883
Decrease (increase) in:		
Pledges receivable	21,498	(18,368)
Accounts receivable	(2,018,110)	(30,644)
Prepaid expenses	(6,293)	(8,555)
Increase (decrease) in:		
Accounts payable and other accrued expenses	19,931	(25,955)
Accrued payroll expenses	3,213	(76,666)
Accrued vacation benefits	9,372	(13,924)
Deferred program service fees	<u>(39,548)</u>	<u>48,050</u>
Net cash (used) provided by operating activities	<u>(66,439)</u>	<u>208,838</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(597,948)	(980,335)
Proceeds from sale of investments	246,066	944,287
Purchase of property and equipment	<u>(120,540)</u>	<u>(107,556)</u>
Net cash used by investing activities	<u>(472,422)</u>	<u>(143,604)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>475,000</u>
Net cash provided by financing activities	<u>-</u>	<u>475,000</u>
Net (decrease) increase in cash and cash equivalents	(538,861)	540,234
Cash and cash equivalents at beginning of year	<u>1,470,175</u>	<u>929,941</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 931,314</u>	<u>\$ 1,470,175</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 Statement 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, 2021 and June 30, 2020, 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 pronouncement adopted -

During 2021, St. Ann's adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. 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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

New accounting pronouncement adopted (continued) -

Analysis of the various provisions of this standard resulted in no significant changes in the way St. Ann's recognized revenue; however, the presentation and disclosures of revenue have been enhanced. St. Ann's has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

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 Statement of Activities and Changes in Net Assets.

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 Statement 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. 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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

Uncertain tax positions -

For the years ended June 30, 2021 and 2020, 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 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 under depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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 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 that were classified as conditional.

Program service fees -

Program service fees are recognized as revenue in the period that performance obligations are met, which is when housing, education, or child care services are performed. Fees received in advance of being earned will be recorded as deferred income on the Combined Statements of Financial Position. The transaction price is determined by the State of Maryland or based on cost price.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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 Statement 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 pronouncement not yet adopted -

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

New accounting pronouncement not yet adopted (continued) -

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 ASU at the required implementation date 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equities	\$ 5,305,139	\$ 3,590,860
Mutual funds	1,012,653	966,616
Fixed income - bonds	2,613,575	2,117,109
Investments held in Trust	<u>328,216</u>	<u>272,053</u>
TOTAL INVESTMENTS	<u>\$ 9,259,583</u>	<u>\$ 6,946,638</u>

Included in investment income are the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 110,651	\$ 189,526
Change in value of assets held in trust	56,163	(6,883)
Realized gain on sale of investments	569	259,802
Unrealized gain (loss) on investments	<u>1,904,331</u>	<u>(63,087)</u>
	2,071,714	379,358
Less: Investment fees	<u>(43,786)</u>	<u>(39,193)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 2,027,928</u>	<u>\$ 340,165</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restricted activity consisted of the following for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>2021 Additions</u>	<u>2021 Releases</u>	<u>Ending Balance</u>
Memorial Fund	\$ 129,729	\$ 109,845	\$ (26,929)	\$ 212,645
Time restricted	<u>266,460</u>	<u>374,381</u>	<u>(480,716)</u>	<u>160,125</u>
TOTAL	<u>\$ 396,189</u>	<u>\$ 484,226</u>	<u>\$ (507,645)</u>	<u>\$ 372,770</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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>

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 931,314	\$ 1,470,175
Investments	686,368	212,774
Pledges receivable	52,775	74,273
Accounts receivable	2,096,756	78,646
Accounts receivable designated for long-term investment	(2,000,000)	-
Amounts restricted by donor-purpose	<u>(212,645)</u>	<u>(129,729)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,554,568</u>	<u>\$ 1,706,139</u>

St. Ann's has a policy to structure its financial assets to be available and liquid as its obligations become due. 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 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>	
2022	\$ 114,000
2023	<u>6,000</u>
	<u>\$ 120,000</u>

Rental income for each years ended June 30, 2021 and 2020 totaled \$166,200.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

6. NOTE PAYABLE

On May 5, 2020, St. Ann's received loan proceeds in the amount of \$475,000 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration (SBA). St. Ann's used the proceeds for purposes consistent with the Paycheck Protection Program and met the conditions for forgiveness of the loan. St. Ann's received forgiveness of the loan and recorded revenue from debt extinguishment during the year end June 30, 2021.

7. RELATED PARTY TRANSACTIONS

St. Ann's paid \$71,256 and \$70,973, respectively, to the Archdiocese to participate in various insurance programs for the years ended June 30, 2021 and 2020. St. Ann's also received contributions in the amount of \$564,000 from the Archdiocese for each of the years ended June 30, 2021 and 2020, 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.

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, 2021 and 2020.

9. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 included the following:

	<u>2021</u>	<u>2020</u>
Building	\$ 712,784	\$ 712,784
Building and grounds improvements	3,572,028	3,451,487
Grounds equipment	191,801	249,514
Office furniture and equipment	227,517	227,517
Computer equipment	14,879	14,879
Transportation equipment	<u>21,252</u>	<u>21,252</u>
Total property and equipment	4,740,261	4,677,433
Less: Accumulated depreciation and amortization	<u>(2,452,667)</u>	<u>(2,294,164)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 2,287,594</u>	<u>\$ 2,383,269</u>

10. RETIREMENT PLAN

St. Ann's provides retirement benefits to its employees through a defined contribution plan and employees are eligible to make elective deferrals on hire date. St. Ann's does not provide an employer match.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

11. 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.

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, 2021.

- *Common stocks/equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds/Assets held in Trust* - 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Equities	\$ 5,305,139	\$ -	\$ -	\$ 5,305,139
Mutual funds	1,012,653	-	-	1,012,653
Fixed income - bonds	-	2,613,575	-	2,613,575
Assets held in Trust	<u>328,216</u>	<u>-</u>	<u>-</u>	<u>328,216</u>
TOTAL	<u>\$ 6,646,008</u>	<u>\$ 2,613,575</u>	<u>\$ -</u>	<u>\$ 9,259,583</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

11. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, St. Ann's investments as of June 30, 2020:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 3,590,860	\$ -	\$ -	\$ 3,590,860
Mutual funds	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>

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

12. 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.

13. SUBSEQUENT EVENTS

In preparing these combined financial statements, St. Ann's has evaluated events and transactions for potential recognition or disclosure through November 19, 2021, 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, 2021

	St. Ann's	St. Ann's Trust	Eliminations	Combined
ASSETS				
Cash and cash equivalents	\$ 776,116	\$ 155,198	\$ -	\$ 931,314
Investments	686,368	-	-	686,368
Pledges receivable	52,775	-	-	52,775
Accounts receivable	96,756	2,000,000	-	2,096,756
Prepaid expenses	43,951	-	-	43,951
Property and equipment, net of accumulated depreciation and amortization of \$2,452,667	2,287,594	-	-	2,287,594
Investments - long term	-	8,244,999	-	8,244,999
Investments held in Trust	328,216	-	-	328,216
TOTAL ASSETS	\$ 4,271,776	\$ 10,400,197	\$ -	\$ 14,671,973
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and other accrued expenses	\$ 76,192	\$ -	\$ -	\$ 76,192
Accrued payroll expenses	24,617	-	-	24,617
Accrued vacation benefits	127,317	-	-	127,317
Deferred program service fees	8,502	-	-	8,502
Total liabilities	236,628	-	-	236,628
NET ASSETS				
Without donor restrictions:				
Undesignated	3,743,543	-	-	3,743,543
Designated for long-term investment	-	10,319,032	-	10,319,032
Total without donor restrictions	3,743,543	10,319,032	-	14,062,575
With donor restrictions	291,605	81,165	-	372,770
Total net assets	4,035,148	10,400,197	-	14,435,345
TOTAL LIABILITIES AND NET ASSETS	\$ 4,271,776	\$ 10,400,197	\$ -	\$ 14,671,973

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, 2021

	St. Ann's	St. Ann's Trust	Eliminations	Combined
SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS				
Program Service Fees - Private	\$ 250,549	\$ -	\$ -	\$ 250,549
Program Service Fees - Government				
Agencies	733,365	-	-	733,365
Public support	1,146,106	2,000,000	-	3,146,106
Investment income, net	143,778	1,830,292	-	1,974,070
Contributed services and materials	708,000	-	-	708,000
Rental income	166,200	-	-	166,200
Special events	465,649	-	-	465,649
Net assets released from donor restrictions	480,716	26,929	-	507,645
	<u>4,094,363</u>	<u>3,857,221</u>	<u>-</u>	<u>7,951,584</u>
EXPENSES				
Program Services:				
Day Care	1,073,102	-	-	1,073,102
Adolescent Mothers and Babies	1,346,213	-	-	1,346,213
Education/Employment	199,039	-	-	199,039
Transitional Housing	743,313	-	-	743,313
	<u>3,361,667</u>	<u>-</u>	<u>-</u>	<u>3,361,667</u>
Supporting Services:				
General and Administrative	506,893	-	-	506,893
Fundraising	375,943	-	-	375,943
	<u>882,836</u>	<u>-</u>	<u>-</u>	<u>882,836</u>
Total expenses	<u>4,244,503</u>	<u>-</u>	<u>-</u>	<u>4,244,503</u>
Change in net assets without donor restrictions	<u>(150,140)</u>	<u>3,857,221</u>	<u>-</u>	<u>3,707,081</u>
SUPPORT AND REVENUE WITH DONOR RESTRICTIONS				
Public support	376,132	54,236	-	430,368
Investment income, net	-	53,858	-	53,858
Net assets released from donor restrictions	(480,716)	(26,929)	-	(507,645)
Change in net assets with donor restrictions	<u>(104,584)</u>	<u>81,165</u>	<u>-</u>	<u>(23,419)</u>
OTHER ITEM				
Forgiveness of debt	479,684	-	-	479,684
TOTAL CHANGE IN NET ASSETS	<u>\$ 224,960</u>	<u>\$ 3,938,386</u>	<u>\$ -</u>	<u>\$ 4,163,346</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, 2021**

	<u>St. Ann's</u>	<u>St. Ann's Trust</u>	<u>Eliminations</u>	<u>Combined</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 3,413,999	\$ 6,461,811	\$ -	\$ 9,875,810
Changes in net assets without donor restrictions	329,544	3,857,221	-	4,186,765
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 3,743,543</u>	<u>\$ 10,319,032</u>	<u>\$ -</u>	<u>\$ 14,062,575</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 396,189	\$ -	\$ -	\$ 396,189
Changes in net assets with donor restrictions	(104,584)	81,165	-	(23,419)
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 291,605</u>	<u>\$ 81,165</u>	<u>\$ -</u>	<u>\$ 372,770</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 4,035,148</u>	<u>\$ 10,400,197</u>	<u>\$ -</u>	<u>\$ 14,435,345</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, 2021**

	Budget (Unaudited)	Actual	Daily Rates (See Note 3)
Salaries and related expenses	\$ 822,094	\$ 848,436	
Contributed services	64,800	64,800	
Rent	135,360	135,360	
Dietary services and supplies	116,011	106,064	
Professional fees	20,000	34,486	
Telecommunications	7,500	4,849	
Insurance, utilities and maintenance	104,478	79,955	
Transportation	3,000	-	
Staff training, assistance to individuals, membership, and other	<u>18,300</u>	<u>24,934</u>	
 Total direct expenses before depreciation	 1,291,543	 1,298,884	
 Depreciation	 <u>50,000</u>	 <u>47,329</u>	
 Total expenses after depreciation and amortization	 1,341,543	 1,346,213	
 Allocation of general and administration expenses (Note 2)	 <u>-</u>	 <u>202,990</u>	
 Total actual expenses	 1,341,543	 1,549,203	
 Less: Unallowable contributed services	 <u>(64,800)</u>	 <u>(64,800)</u>	
 Total actual expenses less unallowable costs	 1,276,743	 1,484,403	
 Less: Credits (Note 4)			
United Way Contributions	(25,000)	(14,367)	
Contributions and grants	<u>(157,000)</u>	<u>(175,629)</u>	
 NET PROGRAM EXPENSES	 <u>\$ 1,094,743</u>	 <u>\$ 1,294,407</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, 2021

	<u>Budget (Unaudited)</u>	<u>Actual</u>	<u>Daily Rates (See Note 3)</u>
DISCOUNTED DAILY RATE			<u>\$ 545.24</u>
NEGOTIATED DAILY RATE			<u>\$ 203.47</u>
NEGOTIATED MONTHLY RATE			<u>\$ 6,189</u>
Total allowable program expenses		<u>\$ 1,294,407</u>	
			<u>% Md. Units</u>
Maryland service units		1,155	48.65
Total service units		2,374	
Maryland's share of expenses (Total expenses X Md. %)		\$ 629,756	
D.H.R. Allowable Billing: 1155 days X \$203.47/day + 617 days X 2% increase =		<u>237,518</u>	
D.H.R. Actual Billing		<u>\$ 237,393</u>	
D.J.S. Allowable Billing: 6 months X \$6189/month		\$ -	
Total D.J.S. Allowable Billing		<u>-</u>	
D.J.S. ACTUAL BILLING		<u>\$ -</u>	
D.H.R FY 2021 Cash receipts		\$ 237,393	
D.J.S. FY 2021 Cash receipts		\$ -	
Expenses related to DHR		\$ 629,756	
Expenses related to D.J.S.		\$ -	

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

NOTES TO SUPPLEMENTAL SCHEDULES
JUNE 30, 2021

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, 2021:

	Adolescent Mothers and Babies
	<hr/>
TOTAL ALLOWABLE COST	\$ <u>1,294,407</u>
DAYS OF SERVICE RENDERED	<u>2,374</u>
ACTUAL DISCOUNTED DAILY RATE	\$ <u>545</u>
NEGOTIATED DAILY RATES	\$ <u>203</u>

4. **PROGRAM FEES**

For the year ended June 30, 2021, total revenues earned for programs funded in part by SSA were:

Adolescent Mothers and Babies	\$ <u>474,872</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, 2021, 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 19, 2021.

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".

November 19, 2021