

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND
ST. ANNE'S BEVERLY TERRACE, LLC**

**CONSOLIDATED FINANCIAL STATEMENTS
and
SUPPLEMENTAL STATEMENTS**

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Anne's Maternity Home, St. Anne's Foundation,
and St. Anne's Beverly Terrace, LLC

We have audited the accompanying consolidated financial statements of St. Anne's Maternity Home, St. Anne's Foundation (nonprofit organizations), and St. Anne's Beverly Terrace, LLC, which comprise the Consolidated Statement of Financial Position as of December 31, 2015, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of St. Anne's Maternity Home, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC, as of December 31, 2015, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of St. Anne's Maternity Home, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC, as a whole. The accompanying Supplemental Statements presented for St. Anne's Maternity Home, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Summarized Comparative Information

We have previously audited St. Anne's Maternity Home and St. Anne's Foundation's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

May 11, 2016

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND
ST. ANNE'S BEVERLY TERRACE, LLC**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015

With comparative totals at December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
ASSETS					
Cash and cash equivalents (Note 2)	\$ 1,981,971	\$ 1,654,996	\$ -	\$ 3,636,967	\$ 3,926,736
Accounts receivable	1,341,899			1,341,899	1,475,216
Other receivables				-	252,400
Notes receivable (Note 3)	2,779,610			2,779,610	2,779,610
Pledges receivable, net of discount of \$11,092 (Note 4)	51,319	1,416,897		1,468,216	1,576,902
Prepaid expenses	218,118			218,118	206,175
Other assets	1,988			1,988	4,858
Investments (Note 5)	4,225,739		5,497,033	9,722,772	9,247,400
Split-interest agreements (Note 6)			2,807,336	2,807,336	2,982,335
Gift annuities (Note 7)	14,306			14,306	14,305
Property and equipment (Note 9)	9,817,599			9,817,599	9,957,949
TOTAL ASSETS	\$ 20,432,549	\$ 3,071,893	\$ 8,304,369	\$ 31,808,811	\$ 32,423,886
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 785,509	\$ -	\$ -	\$ 785,509	\$ 730,114
Accrued liabilities (Note 10)	1,138,927			1,138,927	1,025,397
Liability for pension benefits (Note 18)	1,531,443			1,531,443	1,526,533
Accrued unemployment liability (Note 11)	70,000			70,000	70,000
Deferred revenue	374,359			374,359	606,293
Line of credit (Note 12)				-	-
Note payable (Note 13)	400,000			400,000	400,000
TOTAL LIABILITIES	4,300,238	-	-	4,300,238	4,358,337
NET ASSETS					
Unrestricted	16,132,311			16,132,311	15,338,154
Temporarily restricted (Note 15)		3,071,893		3,071,893	3,727,452
Permanently restricted (Note 16)			8,304,369	8,304,369	8,999,943
TOTAL NET ASSETS	16,132,311	3,071,893	8,304,369	27,508,573	28,065,549
TOTAL LIABILITIES AND NET ASSETS	\$ 20,432,549	\$ 3,071,893	\$ 8,304,369	\$ 31,808,811	\$ 32,423,886

The accompanying notes are an integral part of these consolidated financial statements.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND
ST. ANNE'S BEVERLY TERRACE, LLC**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2015

With comparative totals for the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
REVENUE AND SUPPORT					
Program service fees (Note 17)	\$ 18,328,922	\$ -	\$ -	\$ 18,328,922	\$ 15,088,549
Grants and contributions	1,789,476	609,600		2,399,076	2,432,855
Interest and dividends	353,378		176,216	529,594	623,819
Property rentals	431,620			431,620	426,637
Catering services	394,329			394,329	332,926
Other income	541,250			541,250	212,342
Special events, net of \$187,856 of expenses	109,224			109,224	96,082
Net assets released from program restrictions	1,097,859	(1,097,859)		-	-
Net assets released from time restrictions	297,866		(297,866)	-	-
(Loss) on investments	(379,450)		(398,925)	(778,375)	(50,227)
Change in value of split-interest agreements			(174,999)	(174,999)	(69,871)
TOTAL REVENUE AND SUPPORT	22,964,474	(488,259)	(695,574)	21,780,641	19,093,112
EXPENSES					
Program services	20,515,923			20,515,923	16,647,159
Support services	2,817,241			2,817,241	2,569,409
TOTAL EXPENSES	23,333,164	-	-	23,333,164	19,216,568
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(368,690)	(488,259)	(695,574)	(1,552,523)	(123,456)
Pension-related changes other than net periodic pension cost (Note 18)	3,198			3,198	(347,115)
Write-off - receivable from THCC Ltd. (Note 1)	(389,676)			(389,676)	-
Contributions - capital campaign		1,382,025		1,382,025	308,654
Net assets released from capital campaign	1,549,325	(1,549,325)		-	-
CHANGE IN NET ASSETS	794,157	(655,559)	(695,574)	(556,976)	(161,917)
NET ASSETS, BEGINNING OF YEAR	15,338,154	3,727,452	8,999,943	28,065,549	28,227,466
NET ASSETS, END OF YEAR	\$ 16,132,311	\$ 3,071,893	\$ 8,304,369	\$ 27,508,573	\$ 28,065,549

The accompanying notes are an integral part of these consolidated financial statements.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015

With comparative totals for the year ended December 31, 2014

	Total Program Services	Support Services		Total Support Services	Total Expenses	
		Administration	Resources and Development		2015	2014
Salaries and benefits	\$ 14,354,976	\$ 1,513,480	\$ 666,200	\$ 2,179,680	\$ 16,534,656	\$ 13,374,641
Professional fees and services	1,867,236	84,252	114,712	198,964	2,066,200	1,459,907
Repairs and maintenance	999,946	21,862	10,769	32,631	1,032,577	1,177,602
Food and allowances	751,872	123	280	403	752,275	525,871
Utilities	499,846	25,190	10,544	35,734	535,580	467,460
Depreciation	486,395	25,997	11,681	37,678	524,073	459,874
Program supplies	486,889	6,428	1,272	7,700	494,589	362,929
Staff training and development	239,854	77,639	13,865	91,504	331,358	197,869
Miscellaneous	141,091	59,795	33,623	93,418	234,509	224,402
Insurance	210,458	8,948	7,258	16,206	226,664	211,254
Minor equipment	143,197	5,965	7,490	13,455	156,652	290,468
Printing	68,083	13,079	21,750	34,829	102,912	130,625
Office supplies	77,095	18,028	4,721	22,749	99,844	70,763
Equipment rental	78,616	4,379	1,778	6,157	84,773	63,894
Educational services	39,583			-	39,583	66,668
Dues and subscriptions	30,100	2,080	2,682	4,762	34,862	33,673
Advertising and background checks	28,251	828	718	1,546	29,797	53,719
Direct mail	-		24,165	24,165	24,165	21,398
Incentives and awards	6,284	7,665	471	8,136	14,420	12,701
Postage	6,151	4,214	3,310	7,524	13,675	10,850
TOTAL 2015 CONSOLIDATED FUNCTIONAL EXPENSES	\$ 20,515,923	\$ 1,879,952	\$ 937,289	\$ 2,817,241	\$ 23,333,164	
TOTAL 2014 CONSOLIDATED FUNCTIONAL EXPENSES	\$ 16,647,159	\$ 1,676,346	\$ 893,063	\$ 2,569,409		\$ 19,216,568

The accompanying notes are an integral part of these consolidated financial statements.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015
With comparative totals for the year ended December 31, 2014
continued

	Residential Treatment	ECE Program	Mental Health Services	Transitional Housing	Family Based Services	Dietary	Rental Property	Total Program Services	
								2015	2014
Salaries and benefits	\$ 3,020,774	\$ 6,200,287	\$ 2,750,788	\$ 1,055,483	\$ 1,054,141	\$ 273,503	\$ -	\$ 14,354,976	\$ 11,350,092
Professional fees and services	83,364	861,685	187,460	378,500	327,939	28,288		1,867,236	1,311,939
Repairs and maintenance	137,975	710,830	62,618	35,591	26,436	17,839	8,657	999,946	1,133,946
Food and allowances	220,442	285,176	24,545	130,436	85,284	5,989		751,872	514,584
Utilities	107,247	160,465	76,954	29,568	27,233	12,720	85,659	499,846	421,217
Program supplies	133,980	303,017	6,250	18,915	1,454	23,273		486,889	354,001
Depreciation	151,775	143,545	73,569	31,493	29,902	18,191	37,920	486,395	432,937
Staff training and development	8,767	156,743	45,280	4,226	24,224	614		239,854	143,104
Insurance	56,814	74,815	25,178	8,964	12,121	5,688	26,878	210,458	188,765
Minor equipment	12,411	92,862	3,691	16,655	11,891	5,687		143,197	263,243
Miscellaneous	10,591	18,567	6,358	15,071	70,931	6,706	12,867	141,091	188,391
Equipment rental	13,787	29,643	7,411	6,996	6,329	14,450		78,616	58,354
Office supplies	8,254	50,011	3,154	2,623	12,853	200		77,095	52,160
Printing	7,715	46,276	6,478	3,632	3,649	333		68,083	74,471
Educational services	39,583							39,583	66,668
Dues and subscriptions	6,760	6,733	10,706	2,391	2,541	969		30,100	30,667
Advertising and background checks	8,723	12,157	1,725	268	4,571	807		28,251	50,389
Incentives and awards	3,871	464	518	909	283	239		6,284	5,191
Postage	2,011	1,881	1,158	366	485	250		6,151	7,040
Direct mail								-	-
TOTAL 2015 PROGRAM SERVICES	\$ 4,034,844	\$ 9,155,157	\$ 3,293,841	\$ 1,742,087	\$ 1,702,267	\$ 415,746	\$ 171,981	\$ 20,515,923	
TOTAL 2014 PROGRAM SERVICES	\$ 3,463,921	\$ 6,230,018	\$ 3,510,285	\$ 1,537,771	\$ 1,378,678	\$ 360,235	\$ 166,251		\$ 16,647,159

The accompanying notes are an integral part of these consolidated financial statements.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND
ST. ANNE'S BEVERLY TERRACE, LLC**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

With comparative totals for the year ended December 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (556,976)	\$ (161,917)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	524,073	459,874
Discount on pledges receivable	11,092	11,092
Contributions restricted for capital campaign	(1,382,025)	(308,654)
Loss on investments	778,375	50,227
Change in value of split-interest agreement	174,999	69,871
Reinvested interest and dividends	(529,594)	(623,819)
Write-off - receivable from THCC Ltd. (Note 1)	389,676	-
(Increase) decrease in operating assets:		
Accounts receivable	(3,959)	(628,360)
Other receivable	-	20,000
Pledges receivable	641,821	2,516,708
Prepaid expenses	(11,943)	7,211
Other assets	2,870	(971)
Gift annuities	(1)	5
Increase (decrease) in operating liabilities:		
Accounts payable	55,395	(61,041)
Accrued liabilities	113,530	283,585
Liability for pension benefits	4,910	463,111
Deferred revenue	(231,934)	251,948
	(19,691)	2,348,870
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	11,119,329	3,876,293
Purchase of investments	(11,843,482)	(4,246,703)
Purchase of property and equipment	(282,337)	(602,970)
	(1,006,490)	(973,380)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections on capital campaign	837,798	874,813
Construction in progress from capital campaign	(101,386)	(40,868)
	736,412	833,945
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(289,769)	2,209,435
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,926,736	1,717,301
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,636,967	\$ 3,926,736

The accompanying notes are an integral part of these consolidated financial statements.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

St. Anne's is comprised of two California not-for-profit, public benefit corporations: St. Anne's Maternity Home (which owns property and conducts programs and services) and St. Anne's Foundation (a subsidiary corporation which supports St. Anne's Maternity Home). The two corporations together are collectively referred to as "St. Anne's". The Franciscan Sisters of the Sacred Heart is the corporate sponsor of St. Anne's. General governance of St. Anne's Maternity Home is delegated to a local Board of Directors and a Board of Trustees for St. Anne's Foundation.

Founded in 1908, St. Anne's Maternity Home provides residential, early education, mental health, and other supportive services to pregnant, parenting, and/or at-risk young women, children, and families. Most of St. Anne's Maternity Home's recipients of residential services are under the jurisdiction of the Los Angeles County Departments of Children and Family Services or Probation as the result of severe neglect, physical, sexual, and emotional abuse. The goal of St. Anne's is to build brighter futures for the individuals we serve. We provide quality, comprehensive services to low-income families at high risk for homelessness, abuse, and instability.

St. Anne's Transitional Housing and Childcare Center ("the Project") was organized in 2004 in connection with the development of a forty-unit transitional housing apartment complex and early learning center on St. Anne's campus, known as the Bogen Family Center. The project provides up to two years of subsidized housing, childcare, and other support services for young mothers and their children transitioning from St. Anne's and other similar residential programs. During 2013, the State of California and Board of Directors approved a merger between St. Anne's Maternity Home and St. Anne's Transitional Housing and Childcare Center. All activities and transactions related to St. Anne's Transitional Housing and Childcare Center are recorded on St. Anne's Maternity Home's general ledger. St. Anne's Maternity Home is the surviving corporation.

The Project is owned by a limited partnership ("THCC Ltd.") in which St. Anne's Maternity Home is a general partner with a 0.005% interest in the profit and losses. Financing for the project was provided by a combination of private donations, low cost government financing, and low income housing credits.

The Project is located on land which is held by THCC Ltd. under a long-term lease from St. Anne's Maternity Home. St. Anne's Maternity Home has provided financing in the total amount of \$3,899,512 to the limited partnership, of which \$2,379,610 (see Note 3) represents a 55-year subordinated promissory note, bearing no interest. St. Anne's Maternity Home provided funds to THCC Ltd. totaling \$252,400 as of December 31, 2015. Effective December 31, 2015 St. Anne's Maternity Home executed debt forgiveness letters in the amount of \$252,400 for advances and \$137,276 of accounts payables. The total debt forgiveness totaling \$389,676 was necessary to prevent the limited partner from having a negative capital account.

After 15 years, St. Anne's Maternity Home has the right to acquire the entire equity ownership of THCC Ltd. under circumstances described in the limited partnership agreement.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, continued

St. Anne's receives substantially all of its funding from private contributions and from county and state government agencies, with certain portions of its funding originating from the federal government.

The Beverly PSH, LP, a California Limited Partnership (the "Partnership") was formed in May 2013 and subsequently amended and restated in December 2015 to create 39 federally subsidized one and two bedroom permanent affordable supportive housing units located in Los Angeles, California (the Project). A portion of the Project's service area has been set aside for use as an Early Learning Center and tenants will receive an array of intensive supportive services. The Managing General Partner is Supportive Housing LLC, a California limited liability company which has A Community of Friends, a California nonprofit public benefit corporation as the sole member/manager. St. Anne's Beverly Terrace LLC, a California limited liability company replaced St. Anne's Maternity Home, a California nonprofit public benefit corporation, as the Administrative General Partner. Wincopin Circle LLLP, a Maryland limited liability limited partnership replaced A Community of Friends, a California nonprofit public benefit corporation, as the Limited Partner. St. Anne's Beverly Terrace LLC was assigned a 0.004% general partner interest in the Partnership.

Construction commenced in late December 2015 and operations planned to begin in summer 2017.

Financial Accounting Standards Board Accounting Standards Codification 810 provides guidance for the reporting and disclosure of financially interrelated not-for-profit organizations. Based upon the nature of the relationship between St. Anne's Maternity Home, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC consolidated financial statements are presented.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of St. Anne's Maternity Home, St. Anne's Foundation ("the Foundation"), and St. Anne's Beverly Terrace, LLC ("the LLC"). The Foundation and the LLC are consolidated, since St. Anne's Maternity Home has both an economic interest as well as control of the organizations through a majority voting interest in their governing boards, respectively. All inter-organizational transactions have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

continued

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of St. Anne's are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. St. Anne's reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit St. Anne's to expend all of the income (or other economic benefits) derived from the donated assets.

Cash and Cash Equivalents

St. Anne's has defined cash and cash equivalents as cash in banks and certificates of deposit with an original maturity of six months or less.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

continued

**ST. ANNE'S MATERNITY HOME,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investments

St. Anne's values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Consolidated Statement of Activities as gain or loss on investments. Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

Fair Value Measurement

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

St. Anne's is required to measure certain investments, pledged contributions, split interest agreements and gift annuities. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

St. Anne's places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. St. Anne's has not incurred losses related to these investments.

The primary receivable balance outstanding at December 31, 2015 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of St. Anne's receivables consist of earned fees from contract programs granted by governmental agencies.

St. Anne's holds investments in the form of short-term money market investments, certificates of deposit, corporate bonds, common stocks of publicly held companies, a limited partnership interest, as well as U.S. Governmental debt securities.

**ST. ANNE'S MATERNITY HOME,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Donated Materials and Services

A number of unpaid volunteers have made significant contributions of their time to St. Anne's. St. Anne's received donated services from volunteers who serve as kitchen helpers and administrative assistants. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Income Taxes

St. Anne's is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In addition, St. Anne's has been determined by the Internal Revenue Service and the Franchise Tax Board not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code and Section 23709 of the Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by St. Anne's in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. St. Anne's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing St. Anne's programs and other activities have been presented in the Consolidated Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Use of Estimates

The preparation of consolidated financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

continued

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with St. Anne's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Reclassification

Certain accounts from the December 31, 2014 financial statements have been reclassified for comparative purposes to conform to December 31, 2015 presentation.

Subsequent Events

Management has evaluated subsequent events through May 11, 2016, the date which the consolidated financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Notes Receivable

Under the terms of the partnership agreement with THCC Ltd. (see Note 1), St. Anne's made a 55-year, subordinated, non-interest bearing loan in the amount of \$2,379,610 to THCC Ltd. Payments on the loan may be made prior to the 55-year maturity only from "excess cash flow" from the transitional housing and childcare center project, none of which is expected to be realized. The loan is secured by a leasehold deed of trust in second position.

In an agreement between St. Anne's and THCC Ltd., St. Anne's loaned the limited partnership \$400,000 for construction of the transitional housing center. The funds were originally provided as part of a contract from the Los Angeles Housing Authority for use in the construction of the low-income transitional housing center for young women and children (see Note 13).

Total notes receivable outstanding at December 31, 2015 are \$2,779,610.

continued

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Additionally, all pledges are valued at estimated fair value at December 31, 2015 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2015. A discount rate of 3% has been used to calculate the present value of pledges receivable. Pledges receivable at December 31, 2015 are expected to be collected as follows:

Within one year	\$1,118,455
One to five years	<u>360,853</u>
	1,479,308
Less: unamortized discount on pledges receivable	<u>(11,092)</u>
	<u>\$1,468,216</u>

5. Investments

Investments at December 31, 2015 consist of the following:

Money market	\$7,748,365
Investment in Beverly PSH, LP	1,250,000
Investment in THCC Ltd.	382,835
Certificates of deposit	<u>341,572</u>
	<u>\$9,722,772</u>

6. Split-interest Agreements

The fair value of the split interest agreements is measured on a recurring basis by calculating the change in value of the client's beneficial interest in the trust (Level 3 inputs). Split-interest agreements at December 31, 2015 consist of the following:

A perpetual trust was established naming the Foundation as a beneficiary in one-half of the income distributions of the trust, in perpetuity. St. Anne's share of the trust assets is valued at fair value at December 31, 2015.	\$1,484,763
A perpetual trust was established naming the Foundation as a beneficiary in one-half of the income distributions of the trust, in perpetuity. St. Anne's share of the trust assets is valued at fair value at December 31, 2015.	1,114,419
A perpetual trust was established naming St. Anne's Maternity Home as a beneficiary in one-sixteenth of the income distributions of the trust, in perpetuity. St. Anne's share of the trust assets is valued at fair value at December 31, 2015.	134,107

continued

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Split-interest Agreements, continued

A perpetual trust was established naming St. Anne's Maternity Home as a beneficiary in one-eighth of the income distributions of the trust, in perpetuity. St. Anne's share of the trust assets is valued at fair value at December 31, 2015.

74,047
\$2,807,336

7. Gift Annuities

St. Anne's has entered into three gift annuity contracts. Each gift annuity gave St. Anne's \$10,000 in cash. At December 31, 2015, their total fair value was \$14,306. St. Anne's was not required to make any annuity payments during 2015.

8. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2015 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Split interest agreements	\$ -	\$ -	\$2,807,336	\$2,807,336
Investment in Beverly PSH, LP			1,250,000	1,250,000
Investment in THCC Ltd.			382,835	382,835
Gift annuities			<u>14,306</u>	<u>14,306</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,454,477</u>	<u>\$4,454,477</u>

The fair value of the split interest agreements are measured on a recurring basis by calculating the change in value of the client's beneficial interest in the trusts (Level 3 inputs).

Investment in THCC Ltd. represents contributed capital to a limited partnership formed to construct low-income housing and develop a licensed child development center (see Note 1). St. Anne's Maternity Home has a 0.005% general interest in the profit and losses of THCC Ltd.

Investment in Beverly PSH, LP represents contributed capital to a limited partnership formed to operate for charitable purposes including the development and provision of decent housing for low-income individuals. St. Anne's Beverly Terrace, LLC is the administrative partner of the Beverly PSH, LP.

The fair value of gift annuities have been measured on a recurring basis by calculating the present value of the present distributions expected to be received using published life expectancy tables and annuity rates ranging from 6.9% to 9.2%.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Fair Value Measurements, continued

The following is a reconciliation of the Level 3 assets as of December 31, 2015:

	<u>Split Interest Agreement</u>	<u>Investments in THCC, Ltd.</u>	<u>Investments in Beverly PSH, LP</u>	<u>Gift Annuities</u>	<u>Total</u>
Fair value at 1/1/2015	\$2,982,335	\$436,858	\$ -	\$14,305	\$3,433,498
Contribution			1,250,000		1,250,000
Change in value of:					
Split interest agreements	(174,999)				(174,999)
Annuities				1	1
Net loss from operations		(54,023)			(54,023)
Fair value at 12/31/2015	<u>\$2,807,336</u>	<u>\$382,835</u>	<u>\$1,250,000</u>	<u>\$14,306</u>	<u>\$4,454,477</u>

The table below presents the transaction measured at fair value on a non-recurring basis at December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions- current year	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,468,216</u>	<u>\$1,468,216</u>

The fair value of the pledged contributions-current year has been measured on a non-recurring basis using the value of the pledge receivable agreement, and with consideration of the donor's credit worthiness (Level 3 inputs).

9. Property and Equipment

Property and equipment at December 31, 2015 consist of the following:

Land and improvements	\$ 1,524,184
Buildings and improvements	17,946,501
Major equipment	524,321
Vehicles	194,310
Construction in progress	<u>194,768</u>
	20,384,084
Less: accumulated depreciation	<u>(10,566,485)</u>
	<u>\$ 9,817,599</u>

continued

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Accrued Liabilities

Accrued liabilities at December 31, 2015 consist of the following:

Accrued salaries	\$ 570,401
Accrued paid time off	434,233
Other accrued liabilities	<u>134,293</u>
	<u>\$1,138,927</u>

11. Accrued Unemployment Liability

St. Anne's has elected to be self-insured for the purposes of California State Unemployment Insurance. Accrued unemployment liability at December 31, 2015, of \$70,000, represents estimated future claims arising from payroll paid to December 31, 2015. Unemployment expense for the year ended December 31, 2015 was \$135,817.

12. Line of Credit

St. Anne's had a revolving line of credit with a bank in the amount of \$2,400,000, with an interest rate of equal to the greater of two percent (2%) or the sum of Overnight LIBOR plus the LIBOR Margin (1%), secured by investments, due January 2017. Monthly interest only payments are due on outstanding balances. At December 31, 2015, there was no outstanding balance on the line of credit.

13. Note Payable

St. Anne's has a note payable to the Los Angeles Homeless Services Authority ("LAHSA") secured by a partnership deed of trust. The note payable is non-interest bearing and is forgivable in February 2024, if St. Anne's maintains low-income housing for youth needing transitional housing or for homeless young women and children for a term of no less than twenty years. At December 31, 2015, the outstanding balance on the note payable is \$400,000.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Commitments and Contingencies

Contracts

St. Anne's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits often cannot be reasonably estimated. Therefore, due to the complexity and timing of the mental health contracts settlement process, St. Anne's has set aside a reserve of \$462,089 for its mental health contracts for fiscal years beginning 2010-11 through 2014-15.

Other liabilities, if any, which may result from contract disallowances or settlements for other contracts cannot be reasonably estimated. Accordingly, St. Anne's has no provisions for the possible disallowance of contract program costs in its financial statements for any of its other contracts.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 consist of the following:

Capital campaign	\$1,932,719
Program expenditures	<u>1,139,174</u>
	<u>\$3,071,893</u>

For the year ended December 31, 2015, net assets released from capital campaign and program restrictions was \$1,549,325 and \$1,097,859, respectively.

16. Permanently Restricted Net Assets

In accordance with the *Uniform Prudent Management of Institutional Funds Act* ("UPMIFA"), a federal law that was adopted as California law in September 2008, St. Anne's has classified as permanently restricted the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, permanently restricted net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets have been classified as temporarily restricted until they are appropriated by the Board for use in current operations. St. Anne's considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Permanently Restricted Net Assets, continued

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses first in temporarily restricted net assets, if any are available, then in unrestricted net assets. As values recover, the increases are reported first as unrestricted gains, then as temporarily restricted gains, until the previous declines have been recovered.

St. Anne's Endowment Fund is comprised of the Board designated (unrestricted), and the donor-restricted (permanently) endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Permanently restricted net assets composition by type of fund as of December 31, 2015:

	<u>Permanently Restricted</u>
Franciscan Sisters Fund	\$3,127,485
Mesmer Memorial Trust	1,538,328
Caroline Etchmendy Trust	1,484,763
Mariana Etchmendy Trust	1,114,419
Buenanueva Fund	529,514
Endowment Fund	301,706
Hirsch Split Interest	134,107
Winnie Split Interest	<u>74,047</u>
Total	<u><u>\$8,304,369</u></u>

Changes in the endowment funds for the year ended December 31, 2015, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Donor Permanently Restricted</u>	<u>Total</u>
Endowment net assets, 01/01/2015	\$3,790,721	\$ -	\$8,999,943	\$12,790,664
Investment return:				
Realized loss			(398,925)	(398,925)
Interests and dividends			176,216	176,216
Change in value of split interest agreement			(174,999)	(174,999)
Appropriation of endowment assets for expenditures	<u>297,866</u>	<u> </u>	<u>(297,866)</u>	<u> </u>
Endowment net assets, 12/31/2015	<u><u>\$4,088,587</u></u>	<u><u>\$ -</u></u>	<u><u>\$8,304,369</u></u>	<u><u>\$12,392,956</u></u>

continued

**ST. ANNE'S MATERNITY HOME,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Program Service Fees

Program service fees for the year ended December 31, 2015 consist of the following:

Early Learning Center Program	\$ 9,326,391
Mental Health Program	3,854,624
Residential Treatment Program	3,061,277
Wraparound Approach Services Program	769,734
Transitional Housing Program – Foster Care	415,366
Transitional Housing Program	150,721
LAHSA – Continuum of Care	282,472
LAHSA – Independent Living Program	196,807
Partnership for Families Program	198,513
Prevention and Aftercare Services	38,799
Family Preservation Program	34,218
	<u>\$18,328,922</u>

18. Employee Benefit Plan

St. Anne's sponsors a Defined Benefit Pension Plan ("the Plan") for all full-time employees. As amended July 1, 1995, the Plan is a cash balance plan and provides benefits based on a pension account balance that consists of prior service credits, employer credits, and interest credits. Although this plan is exempt from the funding requirements of the Employee Retirement Income Security Act ("ERISA"), it is the policy of St. Anne's to fund the Plan under accepted actuarial methods. Effective July 1, 2012, the Interest Credit used to credit interest under the Plan's cash balance formula was lowered by an amendment from 7% to 5%.

Generally accepted accounting principles requires an employer to recognize the overfunded or underfunded status of a defined benefit post-retirement plan (other than a multi-employer plan) as an asset or liability in its Statement of Financial Position and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets of a not-for-profit organization.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Employee Benefit Plan, continued

The following table sets forth the Plan's funded status and amounts recognized in St. Anne's Statement of Financial Position at December 31, 2015:

Fair value of plan assets at December 31, 2015	\$ 1,661,974
Benefit obligation at December 31, 2015	<u>(3,193,417)</u>
Liability for pension benefits	<u>\$(1,531,443)</u>
Periodic pension cost	<u>\$444,326</u>
Actuarial gain – recognized in unrestricted net assets	<u>\$66,479</u>
Employer contribution	<u>\$424,000</u>
Benefits paid	<u>\$406,657</u>

Weighted average assumptions as of December 31, 2015 consist of the following:

Discount rate	3.71%
Expected return on plan assets	7.00%
Rate of compensation increase	4.00%

19. Related Party Transactions

General Partner Expenses

St. Anne's Maternity Home charges THCC Ltd. for services related to housekeeping, security, and other operating services during the fiscal year. For the year ended December 31, 2015, payments for these services were \$286,487.

Subsidies

During the year ended December 31, 2015, St. Anne's Maternity Home provided \$149,206 in scholarship subsidies for tenants who did not qualify or receive subsidies under the other available programs of THCC Ltd. As of December 31, 2015, St. Anne's has accounts payable due to THCC Ltd. in the amount of \$30,168 related to subsidies.

continued

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Related Party Transactions, continued

Partnership Management Fee

THCC Ltd. shall pay St. Anne's Maternity Home an annual partnership management fee of \$5,000, payable from available cash flow, as defined. The fee shall be adjusted annually by the change in CPI, as defined, and shall not exceed 10% of gross revenues. During the year ended December 31, 2015, THCC Ltd. paid the \$5,000 management fee.

Ground Lease

Commencing on February 24, 2004, THCC Ltd. pays St. Anne's an annual lease payment of \$1 for the right to lease the land where the project is located. The agreement will remain in effect until February 24, 2103.

Incentive Management Fee

THCC Ltd. shall pay St. Anne's a non-cumulative incentive management fee of up to 80% of available cash flow, as defined, but not to exceed 12% of gross revenues. For the year ended December 31, 2015, no incentive management fee was incurred.

Childcare Center Lease

Commencing February 24, 2004, THCC Ltd. pays St. Anne's an annual fee of \$1 to operate the childcare facility at the project and provide childcare services to the residential tenants and the general public. The agreement will remain in effect until February 23, 2020.

Childcare Services Fee

THCC Ltd. shall pay St. Anne's an annual fee of \$1 to operate the childcare facility at the project and provide childcare services to the project tenants and the general public. The agreement will remain in effect until February 28, 2019.

Resident Services Fee

THCC Ltd. entered into a Resident Services Agreement with St. Anne's. The agreement will remain in effect until February 28, 2019. THCC Ltd. shall pay St. Anne's \$1 annually beginning on the date that THCC Ltd. receives a certificate of occupancy for all of the units in the Project.

Operating Deficit Guaranty

St. Anne's will provide funds to THCC Ltd. as necessary to pay any operating deficit in the form of a non-interest bearing loan to THCC Ltd., not to exceed \$660,000. In the event payments are not made as required, the limited partners may advance an interest-bearing loan to St. Anne's. As of December 31, 2015, no loans were funded under this guaranty.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Related Party Transactions, continued

Investment Management Fees

During the year ended December 31, 2015, St. Anne's Maternity Home paid investment management fees of \$50,469 to an investment firm, Chelsea Management Company, for investing St. Anne's Endowment and Quasi Endowment Funds. The President of the investment firm is the current Vice-Chair of St. Anne's Board of Directors and the Chair of the investment firm is a member of St. Anne's Board of Directors. This related party relationship is reviewed annually by the St. Anne's Finance Committee and is fully known to the St. Anne's Board of Directors. As of December 31, 2015, Chelsea Management Company resigned from its investment management position.

SUPPLEMENTAL STATEMENTS

ST. ANNE'S MATERNITY HOME

STATEMENT OF FINANCIAL POSITION

December 31, 2015

With comparative totals at December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>2014</u>
ASSETS					
Cash and cash equivalents	\$ 1,518,864	\$ 1,654,996	\$ -	\$ 3,173,860	\$ 3,669,683
Accounts receivable	1,339,799			1,339,799	1,473,116
Other receivables				-	252,400
Notes receivable	2,779,610			2,779,610	2,779,610
Pledges receivable, net of discount of \$11,092	51,319	1,416,897		1,468,216	1,576,902
Prepaid expenses	218,118			218,118	206,175
Other assets	1,988			1,988	4,858
Investments	3,994,167		5,497,033	9,491,200	8,905,737
Split-interest agreements			208,154	208,154	228,244
Gift annuities	14,306			14,306	14,305
Property and equipment	9,817,599			9,817,599	9,957,949
TOTAL ASSETS	<u>\$ 19,735,770</u>	<u>\$ 3,071,893</u>	<u>\$ 5,705,187</u>	<u>\$ 28,512,850</u>	<u>\$ 29,068,979</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 785,509	\$ -	\$ -	\$ 785,509	\$ 730,114
Accrued liabilities	1,146,598			1,146,598	1,028,925
Liability for pension benefits	1,531,443			1,531,443	1,526,533
Accrued unemployment liability	70,000			70,000	70,000
Deferred revenue	374,359			374,359	606,293
Line of credit				-	-
Note payable	400,000			400,000	400,000
TOTAL LIABILITIES	<u>4,307,909</u>	<u>-</u>	<u>-</u>	<u>4,307,909</u>	<u>4,361,865</u>
NET ASSETS					
Unrestricted	15,427,861			15,427,861	14,733,810
Temporarily restricted		3,071,893		3,071,893	3,727,452
Permanently restricted			5,705,187	5,705,187	6,245,852
TOTAL NET ASSETS	<u>15,427,861</u>	<u>3,071,893</u>	<u>5,705,187</u>	<u>24,204,941</u>	<u>24,707,114</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,735,770</u>	<u>\$ 3,071,893</u>	<u>\$ 5,705,187</u>	<u>\$ 28,512,850</u>	<u>\$ 29,068,979</u>

See independent auditors' report.

ST. ANNE'S MATERNITY HOME

STATEMENT OF ACTIVITIES

For the year ended December 31, 2015

With comparative totals for the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT					
Program service fees	\$ 18,328,922	\$ -	\$ -	\$ 18,328,922	\$ 15,088,549
Grants and contributions	1,747,030	609,600		2,356,630	2,356,708
Other income	541,250			541,250	212,342
Property rentals	431,620			431,620	426,637
Interest and dividends	254,674		176,216	430,890	436,138
Catering services	394,329			394,329	332,926
Contribution from St. Anne's Foundation	150,000			150,000	160,000
Net assets released from program restrictions	1,097,859	(1,097,859)		-	-
Net assets released from time restrictions	297,866		(297,866)	-	-
Change in value of split-interest agreements			(20,090)	(20,090)	(2,765)
Special events				-	-
(Loss) on investments	(379,364)		(398,925)	(778,289)	(50,227)
TOTAL REVENUE AND SUPPORT	<u>22,864,186</u>	<u>(488,259)</u>	<u>(540,665)</u>	<u>21,835,262</u>	<u>18,960,308</u>
EXPENSES					
Program services	20,515,923			20,515,923	16,647,159
Support services	2,817,059			2,817,059	2,569,286
TOTAL EXPENSES	<u>23,332,982</u>	<u>-</u>	<u>-</u>	<u>23,332,982</u>	<u>19,216,445</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(468,796)	(488,259)	(540,665)	(1,497,720)	(256,137)
Pension-related changes other than net periodic pension cost	3,198			3,198	(347,115)
Write-off - receivable from THCC Ltd. (Note 1)	(389,676)			(389,676)	-
Contributions - capital campaign		1,382,025		1,382,025	308,654
Net assets released from capital campaign	1,549,325	(1,549,325)		-	-
CHANGE IN NET ASSETS	694,051	(655,559)	(540,665)	(502,173)	(294,598)
NET ASSETS, BEGINNING OF YEAR	<u>14,733,810</u>	<u>3,727,452</u>	<u>6,245,852</u>	<u>24,707,114</u>	<u>25,001,712</u>
NET ASSETS, END OF YEAR	<u>\$ 15,427,861</u>	<u>\$ 3,071,893</u>	<u>\$ 5,705,187</u>	<u>\$ 24,204,941</u>	<u>\$ 24,707,114</u>

See independent auditors' report.

ST. ANNE'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2015

With comparative totals at December 31, 2014

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>2014</u>
ASSETS				
Cash and cash equivalents	\$ 353,270	\$ -	\$ 353,270	\$ 257,053
Accounts receivable	9,771		9,771	5,628
Investments	341,572		341,572	341,663
Split-interest agreements		2,599,182	2,599,182	2,754,091
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 704,613	\$ 2,599,182	\$ 3,303,795	\$ 3,358,435
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accrued liabilities	\$ -	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS				
Unrestricted	704,613		704,613	604,344
Permanently restricted		2,599,182	2,599,182	2,754,091
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	704,613	2,599,182	3,303,795	3,358,435
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 704,613	\$ 2,599,182	\$ 3,303,795	\$ 3,358,435
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See independent auditors' report.

ST. ANNE'S FOUNDATION

STATEMENT OF ACTIVITIES

For year ended December 31, 2015

With comparative totals for the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT				
Interest and dividends	\$ 98,704	\$ -	\$ 98,704	\$ 187,681
Special events, net of \$187,856 in expenses	109,224		109,224	96,082
Contributions	42,446		42,446	42,147
Loss on investments	(86)		(86)	-
Change in value of split-interest agreements		(154,909)	(154,909)	(67,106)
TOTAL REVENUE AND SUPPORT	<u>250,288</u>	<u>(154,909)</u>	<u>95,379</u>	<u>258,804</u>
EXPENSES				
Contribution to St. Anne's Maternity Home	150,000		150,000	160,000
Support services	19		19	123
TOTAL EXPENSES	<u>150,019</u>	<u>-</u>	<u>150,019</u>	<u>160,123</u>
CHANGE IN NET ASSETS	100,269	(154,909)	(54,640)	98,681
NET ASSETS, BEGINNING OF YEAR	<u>604,344</u>	<u>2,754,091</u>	<u>3,358,435</u>	<u>3,259,754</u>
NET ASSETS, END OF YEAR	<u>\$ 704,613</u>	<u>\$ 2,599,182</u>	<u>\$ 3,303,795</u>	<u>\$ 3,358,435</u>

See independent auditors' report.

ST. ANNE'S BEVERLY TERRACE, LLC

BALANCE SHEET

December 31, 2015

ASSETS

Cash and cash equivalents	\$ 109,837
Investments	<u>1,250,000</u>

TOTAL ASSETS	<u><u>\$ 1,359,837</u></u>
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LIABILITIES AND MEMBER EQUITY

LIABILITIES

Accrued liabilities	<u>\$ -</u>
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TOTAL LIABILITIES	<u>-</u>
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MEMBER EQUITY

Member interest	<u>1,359,837</u>
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TOTAL MEMBER EQUITY	<u>1,359,837</u>
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TOTAL LIABILITIES AND MEMBER EQUITY	<u><u>\$ 1,359,837</u></u>
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See independent auditors' report.

ST. ANNE'S BEVERLY TERRACE, LLC

STATEMENT OF OPERATIONS AND MEMBER EQUITY

For year ended December 31, 2015

REVENUE	
Contributions	<u>\$ -</u>
TOTAL REVENUE	<u>-</u>
EXPENSES	
Miscellaneous expense	<u>163</u>
TOTAL EXPENSES	<u>163</u>
NET INCOME	<u>(163)</u>
MEMBER EQUITY, BEGINNING OF YEAR	-
Capital contributed	<u>1,360,000</u>
MEMBER EQUITY, END OF YEAR	<u><u>\$ 1,359,837</u></u>

See independent auditors' report.