



Certified Public Accountants, LLP

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

**CONSOLIDATED FINANCIAL STATEMENTS
and
SUPPLEMENTAL STATEMENTS**

DECEMBER 31, 2016

PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
Tel: 626.403.6801
Fax: 626.403.6866

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SAN FRANCISCO
50 Francisco St
Suite 160
San Francisco, CA 94133
Tel: 415.391.3131
Fax: 415.391.3233

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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

Report on the Financial Statements

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, 2016, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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, 2016, 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 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 is 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, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC's, 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated 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, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Harrington Group

Pasadena, California
May 9, 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2016

With comparative totals at December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>2015</u>
ASSETS					
Cash and cash equivalents (Note 2)	\$ 1,700,580	\$ 2,619,780	\$ -	\$ 4,320,360	\$ 3,636,967
Accounts receivable	2,030,398			2,030,398	1,341,899
Notes receivable (Note 3)	2,779,610			2,779,610	2,779,610
Pledges receivable, net of discount of \$11,092 (Note 4)	703	852,534		853,237	1,468,216
Prepaid expenses	182,616			182,616	218,118
Other assets	3,628			3,628	1,988
Investments (Note 5)	3,987,086		5,888,879	9,875,965	9,722,772
Split-interest agreements (Note 6)			2,923,592	2,923,592	2,807,336
Gift annuities (Note 7)	14,313			14,313	14,306
Property and equipment (Note 9)	9,629,283			9,629,283	9,817,599
TOTAL ASSETS	<u>\$ 20,328,217</u>	<u>\$ 3,472,314</u>	<u>\$ 8,812,471</u>	<u>\$ 32,613,002</u>	<u>\$ 31,808,811</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 612,025	\$ -	\$ -	\$ 612,025	\$ 785,509
Accrued liabilities (Note 10)	1,276,755			1,276,755	1,138,927
Liability for pension benefits (Note 18)	1,803,744			1,803,744	1,531,443
Accrued unemployment liability (Note 11)	5,891			5,891	70,000
Deferred revenue	218,422			218,422	374,359
Line of credit (Note 12)				-	-
Note payable (Note 13)	400,000			400,000	400,000
TOTAL LIABILITIES	<u>4,316,837</u>	<u>-</u>	<u>-</u>	<u>4,316,837</u>	<u>4,300,238</u>
NET ASSETS					
Unrestricted	16,011,380			16,011,380	16,132,311
Temporarily restricted (Note 15)		3,472,314		3,472,314	3,071,893
Permanently restricted (Note 16)			8,812,471	8,812,471	8,304,369
TOTAL NET ASSETS	<u>16,011,380</u>	<u>3,472,314</u>	<u>8,812,471</u>	<u>28,296,165</u>	<u>27,508,573</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,328,217</u>	<u>\$ 3,472,314</u>	<u>\$ 8,812,471</u>	<u>\$ 32,613,002</u>	<u>\$ 31,808,811</u>

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, 2016

With comparative totals for the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
REVENUE AND SUPPORT					
Program service fees (Note 17)	\$ 17,947,877	\$ -	\$ -	\$ 17,947,877	\$ 18,328,922
Grants and contributions	2,366,727	838,500		3,205,227	2,399,076
Gain (loss) on investments	200,043		393,037	593,080	(778,375)
Property rentals	462,186			462,186	431,620
Interest and dividends	183,051		274,354	457,405	529,594
Catering services	389,276			389,276	394,329
Special events, net of \$203,524 of expenses	297,260			297,260	109,224
Other income	256,622			256,622	541,250
Change in value of split-interest agreements	8,971		107,285	116,256	(174,999)
Net assets released from program restrictions	965,777	(965,777)		-	-
Net assets released from time restrictions	266,574		(266,574)	-	-
TOTAL REVENUE AND SUPPORT	23,344,364	(127,277)	508,102	23,725,189	21,780,641
EXPENSES					
Program services	20,731,171			20,731,171	20,515,923
Support services	2,726,672			2,726,672	2,817,241
TOTAL EXPENSES	23,457,843	-	-	23,457,843	23,333,164
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(113,479)	(127,277)	508,102	267,346	(1,552,523)
Pension-related changes other than net periodic pension cost (Note 18)	(40,307)			(40,307)	3,198
Write-off - receivable from THCC Ltd. (Note 1)				-	(389,676)
Contributions - capital campaign		560,553		560,553	1,382,025
Net assets released from capital campaign	32,855	(32,855)		-	-
CHANGE IN NET ASSETS	(120,931)	400,421	508,102	787,592	(556,976)
NET ASSETS, BEGINNING OF YEAR	16,132,311	3,071,893	8,304,369	27,508,573	28,065,549
NET ASSETS, END OF YEAR	\$ 16,011,380	\$ 3,472,314	\$ 8,812,471	\$ 28,296,165	\$ 27,508,573

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, 2016

With comparative totals for the year ended December 31, 2015

	Total Program Services	Support Services		Total Support Services	Total Expenses	
		Administration	Resources and Development		2016	2015
Salaries and benefits	\$ 15,151,261	\$ 1,486,215	\$ 529,017	\$ 2,015,232	\$ 17,166,493	\$ 16,534,656
Professional fees and services	2,081,065	110,866	61,823	172,689	2,253,754	2,066,200
Repairs and maintenance	662,965	15,196	7,675	22,871	685,836	1,032,577
Food and allowances	622,769	971	168	1,139	623,908	752,275
Utilities	503,223	23,581	8,170	31,751	534,974	535,580
Depreciation	497,124	22,566	9,936	32,502	529,626	524,073
Staff training and development	210,646	126,664	33,180	159,844	370,490	331,358
Program supplies	295,756	4,472	373	4,845	300,601	494,589
Miscellaneous	126,106	67,351	69,945	137,296	263,402	234,509
Insurance	214,892	8,124	6,724	14,848	229,740	226,664
Equipment rental	94,862	7,739	1,655	9,394	104,256	84,773
Office supplies	69,374	21,141	5,348	26,489	95,863	99,844
Minor equipment	67,171	2,791	152	2,943	70,114	156,652
Advertising and background checks	49,360	1,645	7,185	8,830	58,190	29,797
Printing	31,242	19,969	2,993	22,962	54,204	102,912
Dues and subscriptions	22,893	20,677	2,604	23,281	46,174	34,862
Direct mail			19,947	19,947	19,947	24,165
Educational services	18,750			-	18,750	39,583
Incentives and awards	5,521	10,554	2,548	13,102	18,623	14,420
Postage	6,191	3,436	3,271	6,707	12,898	13,675
TOTAL 2016 CONSOLIDATED FUNCTIONAL EXPENSES	\$ 20,731,171	\$ 1,953,958	\$ 772,714	\$ 2,726,672	\$ 23,457,843	
TOTAL 2015 CONSOLIDATED FUNCTIONAL EXPENSES	\$ 20,515,923	\$ 1,879,952	\$ 937,289	\$ 2,817,241		\$ 23,333,164

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

**ST. ANNE'S MATERNITY HOME,
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2016
With comparative totals for the year ended December 31, 2015
continued

	Residential Treatment	ECE Program	Mental Health Services	Transitional Housing	Family Based Services	Dietary	Rental Property	Total Program Services	
								2016	2015
Salaries and benefits	\$ 3,043,749	\$ 6,422,236	\$ 3,355,263	\$ 943,298	\$ 1,083,064	\$ 303,651	\$ -	\$ 15,151,261	\$ 14,354,976
Professional fees and services	64,574	945,022	192,076	385,107	422,631	68,012	3,643	2,081,065	1,867,236
Repairs and maintenance	104,703	430,796	59,352	16,895	25,020	15,257	10,942	662,965	999,946
Food and allowances	242,146	246,993	19,573	158,276	50,759	(95,253)	275	622,769	751,872
Utilities	104,715	168,911	78,638	30,664	26,978	13,332	79,985	503,223	499,846
Depreciation	150,994	146,396	84,633	29,968	28,056	19,053	38,024	497,124	486,395
Program supplies	101,686	160,702	2,412	14,358	576	16,022		295,756	486,889
Insurance	58,901	70,746	30,390	8,737	11,208	6,339	28,571	214,892	210,458
Staff training and development	14,561	112,407	39,969	5,531	37,427	751		210,646	239,854
Miscellaneous	15,492	23,650	11,173	14,809	37,098	6,322	17,562	126,106	141,091
Equipment rental	15,711	43,465	11,424	10,538	10,857	2,867		94,862	78,616
Office supplies	5,795	40,137	3,607	2,650	15,867	1,318		69,374	77,095
Minor equipment	3,503	21,397	15,747	4,259	21,941	324		67,171	143,197
Advertising and background checks	18,540	18,707	4,056	817	4,925	2,315		49,360	28,251
Printing	4,330	13,994	7,784	1,951	2,908	275		31,242	68,083
Dues and subscriptions	5,153	7,838	5,873	1,657	1,879	493		22,893	30,100
Educational services	18,750							18,750	39,583
Postage	1,897	2,055	1,196	319	488	236		6,191	6,151
Incentives and awards	1,646	454	303	1,175	31	412	1,500	5,521	6,284
Direct mail								-	-
TOTAL 2016 PROGRAM SERVICES	\$ 3,976,846	\$ 8,875,906	\$ 3,923,469	\$ 1,631,009	\$ 1,781,713	\$ 361,726	\$ 180,502	\$ 20,731,171	
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

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, 2016
With comparative totals for the year ended December 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 787,592	\$ (556,976)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	529,626	524,073
Discount on pledges receivable	-	11,092
Contributions restricted for capital campaign	(560,553)	(1,382,025)
(Gain) loss on investments	(593,080)	778,375
Change in value of split-interest agreement	(116,256)	174,999
Reinvested interest and dividends	(457,405)	(529,594)
Write-off - receivable from THCC Ltd. (Note 1)	-	389,676
Increase (decrease) in operating assets:		
Accounts receivable	(688,499)	(3,959)
Pledges receivable	208,992	641,821
Prepaid expenses	35,502	(11,943)
Other assets	(1,640)	2,870
Gift annuities	(7)	(1)
Increase (decrease) in operating liabilities:		
Accounts payable	(173,484)	55,395
Accrued liabilities	137,828	113,530
Liability for pension benefits	272,301	4,910
Accrued unemployment liabilities	(64,109)	-
Deferred revenue	(155,937)	(231,934)
NET CASH (USED) FROM OPERATING ACTIVITIES	(839,129)	(19,691)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,815,524	11,119,329
Purchase of investments	(918,232)	(11,843,482)
Purchase of property and equipment	(341,310)	(282,337)
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	555,982	(1,006,490)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections on capital campaign	999,395	837,798
Construction in progress from capital campaign	(32,855)	(101,386)
NET CASH PROVIDED FROM FINANCING ACTIVITIES	966,540	736,412
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	683,393	(289,769)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,636,967	3,926,736
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,320,360	\$ 3,636,967

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,
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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 fall 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.

**ST. ANNE'S MATERNITY HOME,
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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.

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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, 2016 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,
ST. ANNE'S FOUNDATION,
AND ST. ANNE'S BEVERLY TERRACE, LLC**

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.

**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, 2015, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through May 9, 2017, 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 consolidated 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, 2016 are \$2,779,610.

**ST. ANNE'S MATERNITY HOME,
ST. ANNE'S FOUNDATION,
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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, 2016 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2016. A discount rate of 3% has been used to calculate the present value of pledges receivable. Pledges receivable at December 31, 2016 are expected to be collected as follows:

Within one year	\$658,477
One to five years	<u>205,852</u>
	864,329
Less: unamortized discount on pledges receivable	<u>(11,092)</u>
	<u>\$853,237</u>

5. Investments

Investments at December 31, 2016 consist of the following:

Mutual funds	\$7,901,591
Investment in Beverly PSH, LP	1,250,000
Investment in THCC Ltd.	382,811
Certificates of deposit	<u>341,563</u>
	<u>\$9,875,965</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, 2016 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, 2016.	\$1,541,684
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, 2016.	1,164,783
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, 2016.	139,102

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, 2016.

78,023
\$2,923,592

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, 2016, their total fair value was \$14,313. St. Anne's was not required to make any annuity payments during 2016.

8. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2016 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$7,901,591	\$ -	\$ -	\$ 7,901,591
Split interest agreements			2,923,592	2,923,592
Investment in Beverly PSH, LP			1,250,000	1,250,000
Investment in THCC Ltd.			382,811	382,811
Certificate of deposits	341,563			341,563
Gift annuities			<u>14,313</u>	<u>14,313</u>
Total	<u>\$8,243,154</u>	<u>\$ -</u>	<u>\$4,570,716</u>	<u>\$12,813,870</u>

The fair value of certain mutual funds and certificates of deposit have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

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.

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

8. Fair Value Measurements, continued

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%.

The following is a reconciliation of the Level 3 assets as of December 31, 2016:

	<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 1/1/2016	\$2,807,336	\$382,835	\$1,250,000	\$14,306	\$4,454,477
Change in value of:					
Split interest agreements	116,256				116,256
Net (loss) gain from operations		(24)		7	(17)
Fair value at 12/31/2016	<u>\$2,923,592</u>	<u>\$382,811</u>	<u>\$1,250,000</u>	<u>\$14,313</u>	<u>\$4,570,716</u>

The table below presents the transaction measured at fair value on a non-recurring basis at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions- current year	\$ _____	\$ _____	<u>\$853,237</u>	<u>\$853,237</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, 2016 consist of the following:

Land and improvements	\$ 1,524,184
Buildings and improvements	18,186,812
Major equipment	594,530
Vehicles	194,310
Construction in progress	<u>225,555</u>
	20,725,391
Less: accumulated depreciation	<u>(11,096,108)</u>
	<u>\$ 9,629,283</u>

continued

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

10. Accrued Liabilities

Accrued liabilities at December 31, 2016 consist of the following:

Accrued salaries	\$ 610,974
Accrued paid time off	458,452
Other accrued liabilities	<u>207,329</u>
	<u>\$1,276,755</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, 2016, of \$5,891, represents estimated future claims arising from payroll paid to December 31, 2016. Unemployment expense for the year ended December 31, 2016 was \$110,450.

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, 2016, there was no outstanding balance on the line of credit and the line of credit had been dissolved.

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, 2016, the outstanding balance on the note payable is \$400,000.

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

14. Commitments and Contingencies

Obligations Under Operating Leases

St. Anne's leases facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended December 31,</u>	
2017	\$ 431,562
2018	401,959
2019	227,093
2020	207,681
2021	36,919
Thereafter	<u>87,696</u>
	<u>\$1,392,910</u>

Rent and equipment lease expenses under operating leases for the years ended December 31, 2016 and 2015 were \$856,425 and \$783,733, respectively.

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 \$452,042 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, 2016 consist of the following:

Capital campaign	\$2,598,352
Program expenditures	<u>873,962</u>
	<u>\$3,472,314</u>

For the year ended December 31, 2016, net assets released from capital campaign and program restrictions was \$32,855 and \$965,777, respectively.

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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, 2016:

	Permanently Restricted
Franciscan Sisters Fund	\$3,349,543
Mesmer Memorial Trust	1,647,146
Caroline Etchmendy Trust	1,541,684
Mariana Etchmendy Trust	1,164,783
Buenanueva Fund	569,060
Endowment Fund	323,131
Hirsch Split Interest	139,102
Winnie Split Interest	<u>78,022</u>
Total	<u>\$8,812,471</u>

continued

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

16. Permanently Restricted Net Assets, continued

Changes in the endowment funds for the year ended December 31, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Donor Permanently Restricted</u>	<u>Total</u>
Endowment net assets, 01/01/2016	\$4,088,587	\$ -	\$8,304,369	\$12,392,956
Investment return:				
Realized gain			393,037	393,037
Interests and dividends			274,354	274,354
Change in value of split interest agreement			107,285	107,285
Appropriation of endowment assets for expenditures	<u>266,574</u>	<u> </u>	<u>(266,574)</u>	<u>-</u>
Endowment net assets, 12/31/2016	<u>\$4,355,161</u>	<u>\$ -</u>	<u>\$8,812,471</u>	<u>\$13,167,632</u>

17. Program Service Fees

Program service fees for the year ended December 31, 2016 consist of the following:

Early Learning Center Program	\$ 8,647,134
Mental Health Program	4,235,991
Residential Treatment Program	2,894,531
Wraparound Approach Services Program	836,690
Transitional Housing Program – Foster Care	471,046
Transitional Housing Program	157,085
LAHSA – Continuum of Care	247,524
LAHSA – Independent Living Program	155,858
Partnership for Families Program	203,019
Prevention and Aftercare Services	38,983
Family Preservation Program	<u>60,016</u>
	<u>\$17,947,877</u>

continued

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

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.

The following table sets forth the Plan's funded status and amounts recognized in St. Anne's Statement of Financial Position at December 31, 2016:

Fair value of plan assets at December 31, 2016	\$ 1,610,342
Benefit obligation at December 31, 2016	<u>(3,414,086)</u>
Liability for pension benefits	<u>\$(1,803,744)</u>
Periodic pension cost	<u>\$531,994</u>
Actuarial gain – recognized in unrestricted net assets	<u>\$229,885</u>
Employer contribution	<u>\$300,000</u>
Benefits paid	<u>\$379,553</u>

Weighted average assumptions as of December 31, 2016 consist of the following:

Discount rate	3.57%
Expected return on plan assets	6.00%
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, 2016, payments for these services were \$252,115.

continued

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

19. Related Party Transactions, continued

Subsidies

During the year ended December 31, 2016, St. Anne's Maternity Home provided \$183,059 in scholarship subsidies for tenants who did not qualify or receive subsidies under the other available programs of THCC Ltd. As of December 31, 2016, St. Anne's has accounts payable due to THCC Ltd. in the amount of \$30,428 related to subsidies.

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, 2016, 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, 2016, 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.

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

19. Related Party Transactions, continued

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, 2016, no loans were funded under this guaranty.

SUPPLEMENTAL STATEMENTS

ST. ANNE'S MATERNITY HOME

STATEMENT OF FINANCIAL POSITION

December 31, 2016

With comparative totals at December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>2015</u>
ASSETS					
Cash and cash equivalents	\$ 1,140,748	\$ 2,619,780	\$ -	\$ 3,760,528	\$ 3,173,860
Accounts receivable	2,017,788			2,017,788	1,339,799
Notes receivable	2,779,610			2,779,610	2,779,610
Pledges receivable, net of discount of \$11,092	703	852,534		853,237	1,468,216
Prepaid expenses	182,616			182,616	218,118
Other assets	3,628			3,628	1,988
Investments	3,755,130		5,888,879	9,644,009	9,491,200
Split-interest agreements			217,125	217,125	208,154
Gift annuities	14,313			14,313	14,306
Property and equipment	9,629,283			9,629,283	9,817,599
	<u>\$ 19,523,819</u>	<u>\$ 3,472,314</u>	<u>\$ 6,106,004</u>	<u>\$ 29,102,137</u>	<u>\$ 28,512,850</u>
TOTAL ASSETS					
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 612,025	\$ -	\$ -	\$ 612,025	\$ 785,509
Accrued liabilities	1,275,755			1,275,755	1,146,598
Liability for pension benefits	1,803,744			1,803,744	1,531,443
Accrued unemployment liability	5,891			5,891	70,000
Deferred revenue	218,422			218,422	374,359
Line of credit				-	-
Note payable	400,000			400,000	400,000
	<u>4,315,837</u>	<u>-</u>	<u>-</u>	<u>4,315,837</u>	<u>4,307,909</u>
TOTAL LIABILITIES					
NET ASSETS					
Unrestricted	15,207,982			15,207,982	15,427,861
Temporarily restricted		3,472,314		3,472,314	3,071,893
Permanently restricted			6,106,004	6,106,004	5,705,187
	<u>15,207,982</u>	<u>3,472,314</u>	<u>6,106,004</u>	<u>24,786,300</u>	<u>24,204,941</u>
TOTAL NET ASSETS					
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,523,819</u>	<u>\$ 3,472,314</u>	<u>\$ 6,106,004</u>	<u>\$ 29,102,137</u>	<u>\$ 28,512,850</u>

See independent auditors' report.

ST. ANNE'S MATERNITY HOME

STATEMENT OF ACTIVITIES

For the year ended December 31, 2016

With comparative totals for the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT					
Program service fees	\$ 17,947,877	\$ -	\$ -	\$ 17,947,877	\$ 18,328,922
Grants and contributions	2,320,651	838,500		3,159,151	2,356,630
Gain (loss) on investments	199,771		393,037	592,808	(778,289)
Property rentals	462,186			462,186	431,620
Catering services	389,276			389,276	394,329
Interest and dividends	107,476		274,354	381,830	430,890
Contribution from St. Anne's Foundation	320,000			320,000	150,000
Other income	256,622			256,622	541,250
Change in value of split-interest agreements	8,971			8,971	(20,090)
Net assets released from program restrictions	965,777	(965,777)		-	-
Net assets released from time restrictions	266,574		(266,574)	-	-
TOTAL REVENUE AND SUPPORT	<u>23,245,181</u>	<u>(127,277)</u>	<u>400,817</u>	<u>23,518,721</u>	<u>21,835,262</u>
EXPENSES					
Program services	20,731,171			20,731,171	20,515,923
Support services	2,726,437			2,726,437	2,817,059
TOTAL EXPENSES	<u>23,457,608</u>	<u>-</u>	<u>-</u>	<u>23,457,608</u>	<u>23,332,982</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(212,427)	(127,277)	400,817	61,113	(1,497,720)
Pension-related changes other than net periodic pension cost	(40,307)			(40,307)	3,198
Write-off - receivable from THCC Ltd. (Note 1)				-	(389,676)
Contributions - capital campaign		560,553		560,553	1,382,025
Net assets released from capital campaign	32,855	(32,855)		-	-
CHANGE IN NET ASSETS	(219,879)	400,421	400,817	581,359	(502,173)
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 15,207,982</u>	<u>\$ 3,472,314</u>	<u>\$ 6,106,004</u>	<u>\$ 24,786,300</u>	<u>\$ 24,204,941</u>

See independent auditors' report.

ST. ANNE'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2016

With comparative totals at December 31, 2015

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>2015</u>
ASSETS				
Cash and cash equivalents	\$ 450,225	\$ -	\$ 450,225	\$ 353,270
Accounts receivable	12,610		12,610	9,771
Investments	341,563		341,563	341,572
Split-interest agreements		2,706,467	2,706,467	2,599,182
TOTAL ASSETS	<u>\$ 804,398</u>	<u>\$ 2,706,467</u>	<u>\$ 3,510,865</u>	<u>\$ 3,303,795</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accrued liabilities	\$ 1,000	\$ -	\$ 1,000	\$ -
TOTAL LIABILITIES	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
NET ASSETS				
Unrestricted	803,398		803,398	704,613
Permanently restricted		2,706,467	2,706,467	2,599,182
TOTAL NET ASSETS	<u>803,398</u>	<u>2,706,467</u>	<u>3,509,865</u>	<u>3,303,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 804,398</u>	<u>\$ 2,706,467</u>	<u>\$ 3,510,865</u>	<u>\$ 3,303,795</u>

See independent auditors' report.

ST. ANNE'S FOUNDATION

STATEMENT OF ACTIVITIES

For year ended December 31, 2016

With comparative totals for the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT				
Special events, net of \$203,524 in expenses	\$ 297,260	\$ -	\$ 297,260	\$ 109,224
Change in value of split-interest agreements		107,285	107,285	(154,909)
Interest and dividends	75,575		75,575	98,704
Contributions	46,076		46,076	42,446
Loss on investments	(121)		(121)	(86)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT	418,790	107,285	526,075	95,379
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENSES				
Contribution to St. Anne's Maternity Home	320,000		320,000	150,000
Support services	5		5	19
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	320,005	-	320,005	150,019
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	98,785	107,285	206,070	(54,640)
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, BEGINNING OF YEAR	704,613	2,599,182	3,303,795	3,358,435
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 803,398	\$ 2,706,467	\$ 3,509,865	\$ 3,303,795
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See independent auditors' report.

ST. ANNE'S BEVERLY TERRACE, LLC

BALANCE SHEET

December 31, 2016

With comparative totals at December 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 109,607	\$ 109,837
Investments	<u>1,250,000</u>	<u>1,250,000</u>
TOTAL ASSETS	<u>\$ 1,359,607</u>	<u>\$ 1,359,837</u>
LIABILITIES AND MEMBER EQUITY		
LIABILITIES		
Accrued liabilities	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
MEMBER EQUITY		
Member interest	<u>1,359,607</u>	<u>1,359,837</u>
TOTAL MEMBER EQUITY	<u>1,359,607</u>	<u>1,359,837</u>
TOTAL LIABILITIES AND MEMBER EQUITY	<u>\$ 1,359,607</u>	<u>\$ 1,359,837</u>

See independent auditors' report.

ST. ANNE'S BEVERLY TERRACE, LLC

STATEMENT OF OPERATIONS AND MEMBER EQUITY

For year ended December 31, 2016

With comparative totals for the year ended December 31, 2015

	<u>2016</u>	<u>2015</u>
REVENUE		
Contributions	<u>\$ -</u>	<u>\$ -</u>
TOTAL REVENUE	<u>-</u>	<u>-</u>
EXPENSES		
Miscellaneous expense	<u>230</u>	<u>163</u>
TOTAL EXPENSES	<u>230</u>	<u>163</u>
NET INCOME	<u>(230)</u>	<u>(163)</u>
MEMBER EQUITY, BEGINNING OF YEAR	1,359,837	-
Capital contributed	<u>-</u>	<u>1,360,000</u>
MEMBER EQUITY, END OF YEAR	<u><u>\$ 1,359,607</u></u>	<u><u>\$ 1,359,837</u></u>

See independent auditors' report.