



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, 2017

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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 Consolidated 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, 2017, 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 Consolidated 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 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 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 consolidated financial statements are free of 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 auditors' 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT

continued

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, 2017, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited St. Anne's Maternity Home, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supplementary Statements on page 24 through 29 are presented for the purpose 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, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2018, on our consideration of St. Anne's Maternity Home, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St. Anne's Maternity Home, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Anne's Maternity Home, St. Anne's Foundation, and St. Anne's Beverly Terrace, LLC's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

June 1, 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017

With comparative totals at December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
ASSETS					
Cash and cash equivalents (Note 2)	\$ 1,925,753	\$ 928,179	\$ -	\$ 2,853,932	\$ 4,320,360
Accounts receivable	2,274,491			2,274,491	2,030,398
Notes receivable (Note 3)	2,779,610			2,779,610	2,779,610
Pledges receivable, net of discount of \$11,092 (Note 4)	214,408	408,991		623,399	853,237
Prepaid expenses	54,813			54,813	182,616
Other assets	11,966			11,966	3,628
Investments (Note 5)	4,246,833		6,597,484	10,844,317	9,875,965
Split-interest agreements (Note 6)			3,198,419	3,198,419	2,923,592
Gift annuities (Note 7)	14,386			14,386	14,313
Property and equipment (Note 9)	10,724,359			10,724,359	9,629,283
TOTAL ASSETS	\$ 22,246,619	\$ 1,337,170	\$ 9,795,903	\$ 33,379,692	\$ 32,613,002
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 679,867	\$ -	\$ -	\$ 679,867	\$ 612,025
Accrued liabilities (Note 10)	1,660,282			1,660,282	1,276,755
Liability for pension benefits (Note 17)	1,772,810			1,772,810	1,809,635
Deferred revenue	291,175			291,175	218,422
Note payable (Note 11)	400,000			400,000	400,000
TOTAL LIABILITIES	4,804,134	-	-	4,804,134	4,316,837
NET ASSETS					
Unrestricted	17,442,485			17,442,485	16,011,380
Temporarily restricted (Note 13)		1,337,170		1,337,170	3,472,314
Permanently restricted (Note 14)			9,795,903	9,795,903	8,812,471
TOTAL NET ASSETS	17,442,485	1,337,170	9,795,903	28,575,558	28,296,165
TOTAL LIABILITIES AND NET ASSETS	\$ 22,246,619	\$ 1,337,170	\$ 9,795,903	\$ 33,379,692	\$ 32,613,002

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 ACTIVITIES
For the year ended December 31, 2017
With comparative totals for the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
REVENUE AND SUPPORT					
Program service fees (Note 15)	\$ 20,164,366	\$ -	\$ -	\$ 20,164,366	\$ 17,947,877
Grants and contributions	2,165,668	331,000		2,496,668	3,205,227
Gain on investments	224,601		760,831	985,432	593,080
Property rentals	438,057			438,057	462,186
Interest and dividends	263,928		287,284	551,212	457,405
Catering services	362,998			362,998	389,276
Special events, net of \$107,196 of expenses	291,922			291,922	297,260
Other income	288,496			288,496	256,622
Change in value of split-interest agreements	16,538		258,289	274,827	116,256
Net assets released from program restrictions	858,159	(858,159)		-	-
Net assets released from time restrictions	322,972		(322,972)	-	-
TOTAL REVENUE AND SUPPORT	25,397,705	(527,159)	983,432	25,853,978	23,725,189
EXPENSES					
Program services	22,433,865			22,433,865	20,731,171
Support services	2,983,342			2,983,342	2,726,672
TOTAL EXPENSES	25,417,207	-	-	25,417,207	23,457,843
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(19,502)	(527,159)	983,432	436,771	267,346
Pension-related changes other than net periodic pension cost (Note 16)	(191,477)			(191,477)	(40,307)
Contributions - capital campaign		34,099		34,099	560,553
Net assets released from capital campaign	1,642,084	(1,642,084)		-	-
CHANGE IN NET ASSETS	1,431,105	(2,135,144)	983,432	279,393	787,592
NET ASSETS, BEGINNING OF YEAR	16,011,380	3,472,314	8,812,471	28,296,165	27,508,573
NET ASSETS, END OF YEAR	\$ 17,442,485	\$ 1,337,170	\$ 9,795,903	\$ 28,575,558	\$ 28,296,165

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, 2017

With comparative totals for the year ended December 31, 2016

	Total Program Services	Support Services		Total Support Services	Total Expenses	
		Administration	Resources and Development		2017	2016
Salaries and benefits	\$ 16,302,250	\$ 1,790,957	\$ 530,301	\$ 2,321,258	\$ 18,623,508	\$ 17,166,493
Professional fees and services	1,973,406	117,263	74,601	191,864	2,165,270	2,253,754
Repairs and maintenance	664,443	18,297	9,088	27,385	691,828	685,836
Utilities	603,527	28,497	8,725	37,222	640,749	534,974
Food and allowances	634,372	159	3,271	3,430	637,802	623,908
Program supplies	567,052	5,176	3,559	8,735	575,787	300,601
Depreciation	511,980	25,067	9,605	34,672	546,652	529,626
Minor equipment	335,965	6,932	374	7,306	343,271	70,114
Staff training and development	139,526	105,881	32,215	138,096	277,622	370,490
Miscellaneous	184,218	47,046	17,284	64,330	248,548	263,402
Insurance	229,186	8,800	6,362	15,162	244,348	229,740
Equipment rental	98,592	7,740	2,820	10,560	109,152	104,256
Office supplies	69,582	17,085	4,119	21,204	90,786	95,863
Printing	45,101	26,989	12,369	39,358	84,459	54,204
Advertising and background checks	34,789	21,080	1,603	22,683	57,472	58,190
Dues and subscriptions	30,002	12,999	3,055	16,054	46,056	46,174
Incentives and awards	4,721	7,902	3,712	11,614	16,335	18,623
Postage	5,153	4,255	5,557	9,812	14,965	12,898
Direct mail	-	-	2,597	2,597	2,597	19,947
Educational services	-	-	-	-	-	18,750
TOTAL 2017 CONSOLIDATED FUNCTIONAL EXPENSES	\$ 22,433,865	\$ 2,252,125	\$ 731,217	\$ 2,983,342	\$ 25,417,207	
TOTAL 2016 CONSOLIDATED FUNCTIONAL EXPENSES	\$ 20,731,171	\$ 1,953,958	\$ 772,714	\$ 2,726,672		\$ 23,457,843

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, 2017

With comparative totals for the year ended December 31, 2016

continued

	Residential Treatment	ECE Program	Mental Health Services	Transitional Housing	Family Based Services	Dietary	Rental Property	Total Program Services	
								2017	2016
Salaries and benefits	\$ 3,142,338	\$ 6,475,683	\$ 4,166,916	\$ 1,051,487	\$ 1,194,030	\$ 271,796	\$ -	\$ 16,302,250	\$ 15,151,261
Professional fees and services	71,372	763,817	232,073	429,041	421,732	53,596	1,775	1,973,406	2,081,065
Repairs and maintenance	128,758	417,044	67,114	18,329	17,131	13,555	2,512	664,443	662,965
Utilities	130,965	201,859	102,729	37,637	30,616	12,279	87,442	603,527	503,223
Food and allowances	190,572	219,049	24,275	196,167	52,956	(48,647)		634,372	622,769
Program supplies	167,553	344,942	5,964	19,789	15,292	13,512		567,052	295,756
Depreciation	151,486	161,822	92,351	31,242	23,146	14,013	37,920	511,980	497,124
Minor equipment	6,776	123,759	169,051	6,895	17,993	11,295	196	335,965	67,171
Staff training and development	9,772	105,222	12,211	5,851	6,064	406		139,526	210,646
Miscellaneous	16,316	36,528	68,036	4,170	37,172	10,162	11,834	184,218	126,106
Insurance	60,499	78,428	35,049	9,080	11,190	4,809	30,131	229,186	214,892
Equipment rental	16,599	41,503	14,607	10,894	13,054	1,935		98,592	94,862
Office supplies	5,808	52,022	3,735	5,395	2,173	449		69,582	69,374
Printing	4,540	22,951	7,140	2,711	7,244	515		45,101	31,242
Advertising and background checks	12,656	12,240	4,744	1,086	3,945	118		34,789	49,360
Dues and subscriptions	5,773	8,980	10,672	1,922	2,159	496		30,002	22,893
Incentives and awards	1,422	1,509	1,097	272	288	133		4,721	5,521
Postage	2,143	629	276	1,200	226	679		5,153	6,191
Direct mail								-	-
Educational services								-	18,750
TOTAL 2017 PROGRAM SERVICES	\$ 4,125,348	\$ 9,067,987	\$ 5,018,040	\$ 1,833,168	\$ 1,856,411	\$ 361,101	\$ 171,810	\$ 22,433,865	
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

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, 2017
With comparative totals for the year ended December 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 279,393	\$ 787,592
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	546,652	529,626
Contributions restricted for capital campaign	(34,099)	(560,553)
(Gain) on investments	(966,859)	(593,080)
Change in value of split-interest agreement	(274,827)	(116,256)
Reinvested interest and dividends	(528,160)	(457,405)
(Increase) decrease in operating assets:		
Accounts receivable	(244,093)	(688,499)
Pledges receivable	181,063	208,992
Prepaid expenses	127,803	35,502
Other assets	(8,338)	(1,640)
Gift annuities	(73)	(7)
Increase (decrease) in operating liabilities:		
Accounts payable	67,842	(173,484)
Accrued liabilities	383,527	137,828
Liability for pension benefits	(36,825)	208,192
Deferred revenue	72,753	(155,937)
NET CASH (USED) FROM OPERATING ACTIVITIES	(434,241)	(839,129)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	526,667	1,815,524
Purchase of investments	-	(918,232)
Purchase of property and equipment	-	(341,310)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	526,667	555,982
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections on capital campaign	83,230	999,395
Contributions restricted for capital campaign	34,099	-
Construction in progress from capital campaign	(1,676,183)	(32,855)
NET CASH (USED) PROVIDED FROM FINANCING ACTIVITIES	(1,558,854)	966,540
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,466,428)	683,393
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,320,360	3,636,967
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,853,932	\$ 4,320,360

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 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. Enterprise Housing Partners CalGreen III Fund LP, a Maryland 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 began 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. The three corporations together are collectively referred to as ("St. Anne's").

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

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, 2017 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,
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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.

**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, 2016, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through June 1, 2018, 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 11).

Total notes receivable outstanding at December 31, 2017 are \$2,779,610.

**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, 2017 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2017. A discount rate of 3% has been used to calculate the present value of pledges receivable. Pledges receivable at December 31, 2017 are expected to be collected as follows:

Within one year	\$532,638
One to five years	<u>101,853</u>
	634,491
Less: unamortized discount on pledges receivable	<u>(11,092)</u>
	<u>\$623,399</u>

5. Investments

Investments at December 31, 2017 consist of the following:

Mutual funds	\$ 8,868,583
Investment in Beverly PSH, LP	1,250,000
Investment in THCC Ltd.	382,811
Certificates of deposit	<u>342,923</u>
	<u>\$10,844,317</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, 2017 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, 2017.	\$1,659,425
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, 2017.	1,305,331
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, 2017.	148,992

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, 2017.

84,671
\$3,198,419

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, 2017, their total fair value was \$14,386. St. Anne's was not required to make any annuity payments during 2017.

8. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2017 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$8,868,583	\$ -	\$ -	\$ 8,868,583
Split interest agreements			3,198,419	3,198,419
Investment in Beverly PSH, LP			1,250,000	1,250,000
Investment in THCC Ltd.			382,811	382,811
Certificate of deposits	342,923			342,923
Gift annuities			14,386	14,386
Total	<u>\$9,211,506</u>	<u>\$ -</u>	<u>\$4,845,616</u>	<u>\$14,057,122</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. The LLC is the administrative partner of the Beverly PSH, LP.

**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 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, 2017:

	<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 1/1/2017	\$2,923,592	\$382,811	\$1,250,000	\$14,313	\$4,570,716
Change in value of:					
Split interest agreements	274,827				274,827
Net gain from operations				73	73
Fair value at 12/31/2017	<u>\$3,198,419</u>	<u>\$382,811</u>	<u>\$1,250,000</u>	<u>\$14,386</u>	<u>\$4,845,616</u>

The table below presents the transaction measured at fair value on a non-recurring basis at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions- current year	<u>\$ -</u>	<u>\$ -</u>	<u>\$512,409</u>	<u>\$512,409</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, 2017 consist of the following:

Buildings and improvements	\$ 18,257,181
Construction in progress	1,796,913
Land and improvements	1,524,184
Major equipment	594,530
Vehicles	<u>176,202</u>
	22,349,010
Less: accumulated depreciation	<u>(11,624,651)</u>
	<u>\$ 10,724,359</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, 2017 consist of the following:

Accrued salaries	\$ 638,457
Accrued paid time off	454,041
Other accrued liabilities	<u>567,784</u>
	<u>\$1,660,282</u>

11. 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, 2017, the outstanding balance on the note payable is \$400,000.

12. 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>	
2018	\$ 468,119
2019	242,692
2020	211,795
2021	37,654
2022	36,941
Thereafter	<u>52,333</u>
	<u>\$1,049,534</u>

Rent and equipment lease expenses under operating leases for the years ended December 31, 2017 and 2016 were \$956,031 and \$856,425, respectively.

continued

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

12. Commitments and Contingencies, continued

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 \$602,042 for its mental health contracts for fiscal years beginning 2010-11 through 2016-17.

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.

13. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 consist of the following:

Capital campaign	\$ 990,368
Program expenditures	<u>346,802</u>
	<u>\$1,337,170</u>

For the year ended December 31, 2017, net assets released from capital campaign and program restrictions was \$1,642,084 and \$858,159, respectively.

14. 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.

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Permanently Restricted Net Assets, continued

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, 2017:

	<u>Permanently Restricted</u>
Franciscan Sisters Fund	\$3,782,588
Mesmer Memorial Trust	1,860,094
Caroline Etchmendy Trust	1,659,425
Mariana Etchmendy Trust	1,305,331
Buenanueva Fund	589,892
Endowment Fund	364,911
Hirsch Split Interest	148,992
Winnie Split Interest	<u>84,670</u>
Total	<u>\$9,795,903</u>

Changes in the endowment funds for the year ended December 31, 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Donor Permanently Restricted</u>	<u>Total</u>
Endowment net assets, 01/01/2017	\$4,355,161	\$ -	\$8,812,472	\$13,167,633
Investment return:				
Realized gain			760,831	760,831
Interests and dividends			287,284	287,284
Change in value of split interest agreement			258,289	258,289
Appropriation of endowment assets for expenditures	<u>322,973</u>	<u> </u>	<u>(322,973)</u>	<u> </u>
Endowment net assets, 12/31/2017	<u>\$4,678,134</u>	<u>\$ -</u>	<u>\$9,795,903</u>	<u>\$14,474,037</u>

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

15. Program Service Fees

Program service fees for the year ended December 31, 2017 consist of the following:

Early Learning Center Program	\$ 9,061,234
Mental Health Program	5,353,529
Residential Treatment Program	3,222,167
Wraparound Approach Services Program	1,138,924
Transitional Housing Program – Foster Care	525,207
LAHSA – Continuum of Care	289,111
LAHSA – Independent Living Program	159,631
Transitional Housing Program	149,483
Partnership for Families Program	133,000
Family Preservation Program	44,598
Prevention and Aftercare Services	38,000
Transitional Living Program	26,894
PLN – Youth Services	<u>22,588</u>
	<u>\$20,164,366</u>

16. 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 Consolidated Statement of Financial Position at December 31, 2017:

Fair value of plan assets at December 31, 2017	\$ 2,402,454
Benefit obligation at December 31, 2017	<u>(4,175,264)</u>
Liability for pension benefits	<u>\$(1,772,810)</u>
Periodic pension cost	<u>\$617,589</u>
Actuarial loss – recognized in unrestricted net assets	<u>\$422,993</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Employee Benefit Plan, continued

Employer contribution \$840,000

Benefits paid \$166,718

Weighted average assumptions as of December 31, 2017 consist of the following:

Discount rate 3.57%

Expected return on plan assets 6.00%

Rate of compensation increase 4.00%

Estimated future benefit payments as of December 31, 2017 consist of the following:

Year ended December 31,

2018	\$ 200,125
2019	177,603
2020	176,197
2021	160,640
2022	155,990
Thereafter	<u>694,877</u>
	<u>\$1,565,432</u>

17. 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, 2017, payments for these services were \$250,000.

Subsidies

During the year ended December 31, 2017, St. Anne's Maternity Home provided \$208,444 in scholarship subsidies for tenants who did not qualify or receive subsidies under the other available programs of THCC Ltd. As of December 31, 2017, St. Anne's has accounts payable due to THCC Ltd. in the amount of \$35,257 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, 2017, THCC Ltd. paid the \$5,000 management fee.

continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Related Party Transactions, continued

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, 2017, 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, 2017, no loans were funded under this guaranty.

SUPPLEMENTAL STATEMENTS

ST. ANNE'S MATERNITY HOME

STATEMENT OF FINANCIAL POSITION

December 31, 2017

With comparative totals at December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
ASSETS					
Cash and cash equivalents	\$ 1,279,926	\$ 928,179	\$ -	\$ 2,208,105	\$ 3,760,528
Accounts receivable	2,247,382			2,247,382	2,017,788
Notes receivable	2,779,610			2,779,610	2,779,610
Pledges receivable, net of discount of \$11,092	214,408	408,991		623,399	853,237
Prepaid expenses	54,813			54,813	182,616
Other assets	11,966			11,966	3,628
Investments	4,013,415		6,597,484	10,610,899	9,644,009
Split-interest agreements			233,663	233,663	217,125
Gift annuities	14,386			14,386	14,313
Property and equipment	10,724,359			10,724,359	9,629,283
TOTAL ASSETS	<u>\$ 21,340,265</u>	<u>\$ 1,337,170</u>	<u>\$ 6,831,147</u>	<u>\$ 29,508,582</u>	<u>\$ 29,102,137</u>
 LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 679,867	\$ -	\$ -	\$ 679,867	\$ 612,025
Accrued liabilities	1,663,219			1,663,219	1,281,646
Liability for pension benefits	1,772,810			1,772,810	1,803,744
Deferred revenue	291,175			291,175	218,422
Note payable	400,000			400,000	400,000
TOTAL LIABILITIES	<u>4,807,071</u>	<u>-</u>	<u>-</u>	<u>4,807,071</u>	<u>4,315,837</u>
 NET ASSETS					
Unrestricted	16,533,194			16,533,194	15,207,982
Temporarily restricted		1,337,170		1,337,170	3,472,314
Permanently restricted			6,831,147	6,831,147	6,106,004
TOTAL NET ASSETS	<u>16,533,194</u>	<u>1,337,170</u>	<u>6,831,147</u>	<u>24,701,511</u>	<u>24,786,300</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,340,265</u>	<u>\$ 1,337,170</u>	<u>\$ 6,831,147</u>	<u>\$ 29,508,582</u>	<u>\$ 29,102,137</u>

See independent auditors' report.

ST. ANNE'S MATERNITY HOME

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

With comparative totals for the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT					
Program service fees	\$ 20,164,366	\$ -	\$ -	\$ 20,164,366	\$ 17,947,877
Grants and contributions	2,090,282	331,000		2,421,282	3,159,151
Gain on investments	224,632		760,831	985,463	592,808
Property rentals	438,057			438,057	462,186
Catering services	362,998			362,998	389,276
Interest and dividends	165,182		287,284	452,466	381,830
Contribution from St. Anne's Foundation	360,000			360,000	320,000
Other income	288,496			288,496	256,622
Change in value of split-interest agreements	16,538			16,538	8,971
Net assets released from program restrictions	858,159	(858,159)		-	-
Net assets released from time restrictions	322,972		(322,972)	-	-
TOTAL REVENUE AND SUPPORT	<u>25,291,682</u>	<u>(527,159)</u>	<u>725,143</u>	<u>25,489,666</u>	<u>23,518,721</u>
EXPENSES					
Program services	22,433,865			22,433,865	20,731,171
Support services	2,983,212			2,983,212	2,726,437
TOTAL EXPENSES	<u>25,417,077</u>	<u>-</u>	<u>-</u>	<u>25,417,077</u>	<u>23,457,608</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(125,395)	(527,159)	725,143	72,589	61,113
Pension-related changes other than net periodic pension cost	(191,477)			(191,477)	(40,307)
Contributions - capital campaign		34,099		34,099	560,553
Net assets released from capital campaign	1,642,084	(1,642,084)		-	-
CHANGE IN NET ASSETS	1,325,212	(2,135,144)	725,143	(84,789)	581,359
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 16,533,194</u>	<u>\$ 1,337,170</u>	<u>\$ 6,831,147</u>	<u>\$ 24,701,511</u>	<u>\$ 24,786,300</u>

See independent auditors' report.

ST. ANNE'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2017

With comparative totals at December 31, 2016

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
ASSETS				
Cash and cash equivalents	\$ 536,322	\$ -	\$ 536,322	\$ 450,225
Accounts receivable	30,046		30,046	12,610
Investments	342,923		342,923	341,563
Split-interest agreements		2,964,756	2,964,756	2,706,467
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 909,291	\$ 2,964,756	\$ 3,874,047	\$ 3,510,865
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accrued liabilities	\$ -	\$ -	\$ -	\$ 1,000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	-	-	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS				
Unrestricted	909,291		909,291	803,398
Permanently restricted		2,964,756	2,964,756	2,706,467
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	909,291	2,964,756	3,874,047	3,509,865
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 909,291	\$ 2,964,756	\$ 3,874,047	\$ 3,510,865
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See independent auditors' report.

ST. ANNE'S FOUNDATION

STATEMENT OF ACTIVITIES

For year ended December 31, 2017

With comparative totals for the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT				
Special events, net of \$107,196 in expenses	\$ 291,922	\$ -	\$ 291,922	\$ 297,260
Change in value of split-interest agreements		258,289	258,289	107,285
Interest and dividends	98,746		98,746	75,575
Contributions	75,386		75,386	46,076
Loss on investments	(133)		(133)	(121)
	<u>465,921</u>	<u>258,289</u>	<u>724,210</u>	<u>526,075</u>
EXPENSES				
Contribution to St. Anne's Maternity Home	360,000		360,000	320,000
Support services	28		28	5
	<u>360,028</u>	<u>-</u>	<u>360,028</u>	<u>320,005</u>
CHANGE IN NET ASSETS	105,893	258,289	364,182	206,070
NET ASSETS, BEGINNING OF YEAR	<u>803,398</u>	<u>2,706,467</u>	<u>3,509,865</u>	<u>3,303,795</u>
NET ASSETS, END OF YEAR	<u>\$ 909,291</u>	<u>\$ 2,964,756</u>	<u>\$ 3,874,047</u>	<u>\$ 3,509,865</u>

See independent auditors' report.

ST. ANNE'S BEVERLY TERRACE, LLC

BALANCE SHEET

December 31, 2017

With comparative totals at December 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 109,505	\$ 109,607
Investments	<u>1,250,000</u>	<u>1,250,000</u>
TOTAL ASSETS	<u>\$ 1,359,505</u>	<u>\$ 1,359,607</u>
LIABILITIES AND MEMBER EQUITY		
LIABILITIES		
Accrued liabilities	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
MEMBER EQUITY		
Member interest	<u>1,359,505</u>	<u>1,359,607</u>
TOTAL MEMBER EQUITY	<u>1,359,505</u>	<u>1,359,607</u>
TOTAL LIABILITIES AND MEMBER EQUITY	<u>\$ 1,359,505</u>	<u>\$ 1,359,607</u>

See independent auditors' report.

ST. ANNE'S BEVERLY TERRACE, LLC

STATEMENT OF OPERATIONS AND MEMBER EQUITY

For year ended December 31, 2017

With comparative totals for the year ended December 31, 2016

	<u>2017</u>	<u>2016</u>
REVENUE		
Contributions	<u>\$ -</u>	<u>\$ -</u>
TOTAL REVENUE	<u>-</u>	<u>-</u>
EXPENSES		
Miscellaneous expense	<u>102</u>	<u>230</u>
TOTAL EXPENSES	<u>102</u>	<u>230</u>
NET INCOME	<u>(102)</u>	<u>(230)</u>
MEMBER EQUITY, BEGINNING OF YEAR	<u>1,359,607</u>	<u>1,359,837</u>
MEMBER EQUITY, END OF YEAR	<u><u>\$ 1,359,505</u></u>	<u><u>\$ 1,359,607</u></u>

See independent auditors' report.