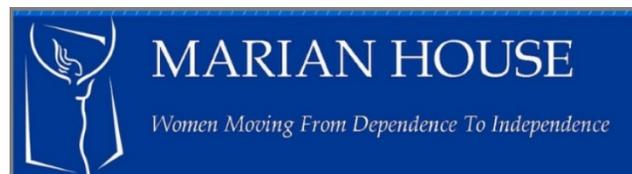


# ELLIN & TUCKER

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**MARIAN HOUSE, INC. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**



<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1-2</b>
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES .....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES .....</b>	<b>5</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS .....</b>	<b>6</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>7-18</b>
<b>SUPPLEMENTARY INFORMATION</b>	
Independent Auditors' Report on Supplementary Information .....	19
Schedules of Consolidating Statements of Financial Position .....	20-21
Schedules of Consolidating Statements of Activities .....	22-23

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Marian House, Inc. Marian House, Inc.

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the accompanying consolidated financial statements of Marian House, Inc. and Subsidiaries (collectively referred to as the Organization, a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of June 30, 2019 and 2018 and the related Consolidated Statements of Activities, Functional Expenses and Cash Flows for the years 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 auditors consider 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**INDEPENDENT AUDITORS' REPORT, CONTINUED****OPINION**

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



ELLIN & TUCKER  
Certified Public Accountants

Baltimore, Maryland  
October 10, 2019

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**Marian House, Inc. and Subsidiaries**  
**June 30, 2019 and 2018**

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 986,344	\$ 1,502,542
Restricted Cash (Note 2)	24,552	42,910
Investments (Note 3)	2,123,901	2,041,013
Fees Receivable	130,619	197,896
Grants Receivable	89,393	32,640
Other Receivables	45,895	145,536
Prepaid Expenses	70,327	62,819
Other Assets	119,748	112,630
Property and Equipment, Net (Note 4)	9,860,520	8,987,947
Total Assets	<u>\$ 13,451,299</u>	<u>\$ 13,125,933</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 326,354	\$ 410,128
Deferred Revenue	51,605	50,245
Security Deposits and Funds Held for Residents	35,052	52,410
Note Payable (Note 5)	500,501	500,501
Total Liabilities	<u>913,512</u>	<u>1,013,284</u>
<b>NET ASSETS (Note 6)</b>		
<b>Without Donor Restrictions:</b>		
Undesignated Net Assets	11,892,591	10,396,615
Board-Designated Net Assets	450,551	432,863
	<u>12,343,142</u>	<u>10,829,478</u>
With Donor Restrictions	194,645	1,283,171
Total Net Assets	<u>12,537,787</u>	<u>12,112,649</u>
Total Liabilities and Net Assets	<u>\$ 13,451,299</u>	<u>\$ 13,125,933</u>

*(See Independent Auditors' Report and Accompanying Notes)*

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Contributions and Non-Government Grants	\$ 391,552	\$ 1,110,354	\$ 1,501,906	\$ 347,984	\$ 2,381,692	\$ 2,729,676
Fees and Grants from Federal Government Sources	1,532,811	-	1,532,811	1,341,710	-	1,341,710
Fees and Grants from Non-Federal Government Sources	767,898	-	767,898	626,363	-	626,363
Management Fees (Note 9)	16,597	-	16,597	17,490	-	17,490
Resident Fees	204,201	-	204,201	291,818	-	291,818
Special Events, Net of Direct Expenses of \$23,377 and \$27,176	83,830	-	83,830	112,900	-	112,900
Other	9,697	-	9,697	6,977	-	6,977
	<u>3,006,586</u>	<u>1,110,354</u>	<u>4,116,940</u>	<u>2,745,242</u>	<u>2,381,692</u>	<u>5,126,934</u>
Net Assets Released from Restrictions	<u>2,198,880</u>	<u>(2,198,880)</u>	<u>-</u>	<u>5,985,203</u>	<u>(5,985,203)</u>	<u>-</u>
 Total Revenue and Support	 <u>5,205,466</u>	 <u>(1,088,526)</u>	 <u>4,116,940</u>	 <u>8,730,445</u>	 <u>(3,603,511)</u>	 <u>5,126,934</u>
<b>EXPENSES</b>						
Program	3,097,804	-	3,097,804	2,804,760	-	2,804,760
General and Administrative	399,159	-	399,159	362,719	-	362,719
Fundraising	291,023	-	291,023	314,139	-	314,139
	<u>3,787,986</u>	<u>-</u>	<u>3,787,986</u>	<u>3,481,618</u>	<u>-</u>	<u>3,481,618</u>
 Change in Net Assets before Investment Income	 1,417,480	 (1,088,526)	 328,954	 5,248,827	 (3,603,511)	 1,645,316
<b>INVESTMENT INCOME, NET OF INVESTMENT FEES OF \$22,097 AND \$21,643</b>						
	48,010	-	48,010	32,249	-	32,249
<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS</b>						
	48,174	-	48,174	71,771	-	71,771
 Change in Net Assets	 1,513,664	 (1,088,526)	 425,138	 5,352,847	 (3,603,511)	 1,749,336
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <u>10,829,478</u>	 <u>1,283,171</u>	 <u>12,112,649</u>	 <u>5,476,631</u>	 <u>4,886,682</u>	 <u>10,363,313</u>
 <b>NET ASSETS - END OF YEAR</b>	 <u>\$ 12,343,142</u>	 <u>\$ 194,645</u>	 <u>\$ 12,537,787</u>	 <u>\$ 10,829,478</u>	 <u>\$ 1,283,171</u>	 <u>\$ 12,112,649</u>

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**MARIAN HOUSE, INC. AND SUBSIDIARIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Supporting Services								Total Expenses	
	Program Services		General and Administrative		Fundraising		Total			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Salaries	\$ 1,084,168	\$ 959,822	\$ 231,383	\$ 213,174	\$ 218,765	\$ 205,431	\$ 450,148	\$ 418,605	\$ 1,534,316	\$ 1,378,427
Payroll Taxes and Employee Benefits	217,715	195,487	42,332	36,889	33,509	29,649	75,841	66,538	293,556	262,025
<b>Total Salaries and Related Expenses</b>	<b>1,301,883</b>	<b>1,155,309</b>	<b>273,715</b>	<b>250,063</b>	<b>252,274</b>	<b>235,080</b>	<b>525,989</b>	<b>485,143</b>	<b>1,827,872</b>	<b>1,640,452</b>
Bank Fees	738	1,090	6,325	6,809	40	142	6,365	6,951	7,103	8,041
Contractual Services	26,849	23,286	1,764	1,764	2,591	4,400	4,355	6,164	31,204	29,450
Education	27,712	22,907	125	245	161	988	286	1,233	27,998	24,140
Food	44,541	51,268	-	-	-	-	-	-	44,541	51,268
Household Supplies	22,055	23,043	-	-	-	-	-	-	22,055	23,043
Insurance	40,555	51,804	5,422	5,359	996	1,515	6,418	6,874	46,973	58,678
Marketing	-	-	-	-	10,044	20,030	10,044	20,030	10,044	20,030
Medical Supplies	13,259	11,911	84	240	65	71	149	311	13,408	12,222
Meetings	6,140	3,357	7,976	9,952	2,309	264	10,285	10,216	16,425	13,573
Miscellaneous	8,734	8,566	2,890	4,124	157	2,003	3,047	6,127	11,781	14,693
Office	7,580	5,568	2,947	3,391	588	542	3,535	3,933	11,115	9,501
Personal Resident	15,600	13,513	-	-	-	-	-	-	15,600	13,513
Postage	322	197	513	756	1,990	2,440	2,503	3,196	2,825	3,393
Printing	317	-	317	-	9,838	11,700	10,155	11,700	10,472	11,700
Professional Fees	42,143	31,087	47,373	35,895	7,950	32,772	55,323	68,667	97,466	99,754
Rent	871,065	903,877	-	-	-	-	-	-	871,065	903,877
Repairs and Maintenance	211,130	133,263	394	1,993	411	816	805	2,809	211,935	136,072
Telephone and Cable	22,867	21,812	898	868	-	-	898	868	23,765	22,680
Transportation	8,527	8,275	789	1,563	466	144	1,255	1,707	9,782	9,982
Utilities	67,860	64,192	3,681	3,697	-	-	3,681	3,697	71,541	67,889
Water	42,497	24,486	1,580	1,507	-	-	1,580	1,507	44,077	25,993
<b>Total Expenses before Depreciation of Property and Equipment</b>	<b>2,782,374</b>	<b>2,558,811</b>	<b>356,793</b>	<b>328,226</b>	<b>289,880</b>	<b>312,907</b>	<b>646,673</b>	<b>641,133</b>	<b>3,429,047</b>	<b>3,199,944</b>
Depreciation	315,430	245,949	42,366	34,493	1,143	1,232	43,509	35,725	358,939	281,674
<b>Total Expenses</b>	<b>\$ 3,097,804</b>	<b>\$ 2,804,760</b>	<b>\$ 399,159</b>	<b>\$ 362,719</b>	<b>\$ 291,023</b>	<b>\$ 314,139</b>	<b>\$ 690,182</b>	<b>\$ 676,858</b>	<b>\$ 3,787,986</b>	<b>\$ 3,481,618</b>
Percentage to Total	81.8%	80.6%	10.5%	10.4%	7.7%	9.0%	18.2%	19.4%	100.0%	100.0%

*(See Independent Auditors' Report and Accompanying Notes)*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Marian House, Inc. and Subsidiaries**  
**For the Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 425,138	\$ 1,749,336
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Depreciation	358,939	281,674
Net Realized and Unrealized Gain on Investments	(48,174)	(71,771)
<b>Net Changes in:</b>		
Fees Receivable	67,277	(84,674)
Restricted Cash	18,358	(8,159)
Grants Receivable	(56,753)	1,312,379
Other Receivables	99,641	(125,572)
Prepaid Expenses	(7,508)	(1,160)
Security Deposits	(17,358)	17,659
Other Assets	(7,118)	(54,238)
Accounts Payable and Accrued Expenses	(83,774)	(443,129)
Deferred Revenue	1,360	(53,691)
	<b>750,028</b>	<b>2,518,654</b>
Net Cash Provided by Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(1,231,512)	(2,427,897)
Purchase of Investments	(595,726)	(434,218)
Proceeds from Sales of Investments	561,012	734,494
	<b>(1,266,226)</b>	<b>(2,127,621)</b>
Net Cash Used in Investing Activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Note Payable	-	500,501
	<b>(516,198)</b>	<b>891,534</b>
Net Change in Cash and Cash Equivalents		
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>1,502,542</b>	<b>611,008</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 986,344</b>	<b>\$ 1,502,542</b>

*(See Independent Auditors' Report and Accompanying Notes)*

**NOTE 1** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF OPERATIONS**

Marian House, Inc. (Marian House) is a not-for-profit voluntary health and welfare organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, whose mission is to provide support for women in crisis. Marian House was started as a joint project by the School Sisters of Notre Dame and Sisters of Mercy. Marian House provides residential housing, counseling, education, and employment programs for homeless women in the Baltimore Metropolitan area.

*Population Served*

Marian House serves homeless women and families of all races, colors, and creeds who have the potential to move from dependence to independence. The histories of these women routinely include any or all of the following elements: childhood sexual abuse, domestic violence, rape, chemical addiction, chronic mental illness, and incarceration.

*Program Services*

Marian House I, the transitional 8- to 12-month residential program, provides shelter; daily living assistance; personal counseling; job readiness training; basic educational opportunities, including GED mentoring; drug/alcohol screening; a financial assistance and savings program; and a supportive, orderly and loving home.

Marian House II, the follow-up program, provides a gentle next step for women. They still receive support services from the program while enjoying more flexibility in daily structure and taking on greater responsibility for their daily needs.

Marian House III offers subsidized permanent housing through the HUD Shelter Plus Care Program (S+C). S+C provides housing and case management focused on service plans that include receiving supportive services, as needed, and setting and monitoring short- and long-term goals to accomplish Marian House's mission of "moving women from dependence to independence." Under the Marian House III program, Marian House enters into short-term operating leases for residential housing to provide permanent housing for eligible residents. Total rent expense under these operating leases was \$704,588 and \$687,102 for the years ended June 30, 2019 and 2018, respectively. Marian House also manages a 19-unit low income project named Serenity Place, which provides permanent housing to the Marian House III program. Marian House pro-rates the fee Marian House II and III residents pay based on their financial situation, using state and local funding source guidelines. The S+C grants function as housing subsidies to supplement the amount paid by the residents. Fee income from Marian House II and III residents (other than Serenity Place) was \$84,395 and \$78,683 for the years ended June 30, 2019 and 2018, respectively, and is included in the Consolidated Statements of Activities as resident fees.

*(See Independent Auditors' Report)*

Independence Enterprises I, LLC (IE1), Independence Enterprises II, LLC (IE2) and Independence Enterprises III, LLC (IE3) are wholly owned by Marian House and were formed to purchase and renovate the former school, convent, and rectory of the Blessed Sacrament Parish in Baltimore, respectively. IE1 manages and maintains the 22-unit apartment building in the former school which provides permanent housing to homeless women and families. IE2 along with IE3 form Independence Place which serves as the headquarters to the Family Transitional program. The program offers transitional housing and supportive services to women for a maximum of 12 months while they work with its case managers and child therapist to learn the life skills necessary for independence. The renovations of the convent and rectory buildings were completed during the year ended June 30, 2019.

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of Marian House, Inc. and subsidiaries, IE1, IE2, and IE3, (collectively referred to as the Organization). All significant inter-organization transactions and balances have been eliminated in consolidation.

**ACCOUNTING STANDARDS CODIFICATION**

All references in the consolidated financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board (FASB). The Codification is the single source of authoritative GAAP in the United States.

**NEW ACCOUNTING STANDARD ADOPTED**

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The Organization has adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the consolidated financial statements for the year ended June 30, 2018. As a result, the Organization changed its presentation of its net asset classes and expanded the disclosures as required by the ASU.

**BASIS OF PRESENTATION**

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned and expenses are recorded when incurred. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

*(See Independent Auditors' Report)*

#### **REVENUE RECOGNITION**

Revenue from fees for services and grants is recognized as the related services are performed. Revenue from pledges and contributions is recognized when an unconditional promise to give is made.

#### **SUPPORT AND EXPENSES**

The Organization prepares its consolidated financial statements in accordance with the Presentation of Financial Statements for Not-For-Profit Entities and the Revenue Recognition for Not-For-Profit Entities Topics of the Codification. As such, contributions received and unconditional promises to give are measured at their fair values and reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Permanent endowments are restricted to investments in perpetuity. The income or loss in excess of donor-imposed restrictions from these investments is included as net assets without donor restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

#### **USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

#### **CASH AND CASH EQUIVALENTS**

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash. The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

*(See Independent Auditors' Report)*

**FEES, GRANTS AND OTHER RECEIVABLES**

The Organization records grants and other receivables at cost less an allowance for doubtful accounts, which is based on management's assessment of uncollectible amounts of fees, grants and other receivables.

**INVESTMENTS**

Investments are stated at fair value. Changes in the fair value are recorded as unrealized gains and losses, which are reflected in the Consolidated Statements of Activities during the period in which the changes occur. Realized gains and losses are also reflected in the Consolidated Statements of Activities during the period when the investments are sold. See Note 3 for a discussion of fair value measurements.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for property and equipment in excess of \$5,000 are capitalized. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets.

**INCOME TAXES**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions, which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold.

**DONATED SERVICES**

A substantial number of volunteers have donated significant amounts of time to the Organization. No amounts are recognized in the accompanying Consolidated Statements of Activities, since the services do not meet the criteria for recognition.

*(See Independent Auditors' Report)*

**RISKS AND UNCERTAINTIES**

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, credit and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

**NOTE 2 RESTRICTED CASH**

The Organization holds resident funds, which are returned to the residents upon completion of the program.

**NOTE 3 INVESTMENTS**

Investments at June 30, 2019 and 2018 consisted of the following:

	<b>2019</b>	<b>2018</b>
Cash and Cash Equivalents	\$ 294,554	\$ 47,626
Certificates of Deposit	-	20,060
Mutual Funds	1,236,148	1,410,723
Equity Securities	431,047	411,146
Corporate Bonds	58,305	57,258
U.S. Government and Agency Securities	103,847	94,200
Total Investments at Fair Value	\$ 2,123,901	\$ 2,041,013
Total Investments at Cost	\$ 1,905,272	\$ 1,830,312

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
  
- Level 2     Inputs to the valuation methodology include:

*(See Independent Auditors' Report)*

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value:

Mutual Funds: Valued at the net asset value (NAV) of shares held at year end. NAV is a quoted price in an active market.

Equity Securities: Valued at quoted prices in an active market.

U.S. Government and Agency Securities and Corporate Bonds: Valued using inputs, such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads.

Certificates of Deposit (CD): Valued at cost plus accrued interest, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Marian House, Inc. and Subsidiaries**

The following sets forth by level, within the fair value hierarchy, the Organization's investments for the years ended June 30, 2019 and 2018:

	<b>2019</b>		<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	
Cash and Cash Equivalents	\$ 294,554	\$ -	\$ 294,554
<b>Mutual Funds:</b>			
Emerging Markets	63,816	-	63,816
Fixed Income	765,471	-	765,471
International	92,625	-	92,625
Domestic	314,236	-	314,236
	<u>1,236,148</u>	<u>-</u>	<u>1,236,148</u>
<b>Equity Securities:</b>			
Communication Services	32,057	-	32,057
Consumer Discretionary	35,576	-	35,576
Consumer Staples	16,629	-	16,629
Energy	12,845	-	12,845
Financial	160,571	-	160,571
Health Care	25,070	-	25,070
Industrials	14,529	-	14,529
Information Technology	21,327	-	21,327
Utilities	10,153	-	10,153
Equities Blend	102,290	-	102,290
	<u>431,047</u>	<u>-</u>	<u>431,047</u>
<b>Fixed Income:</b>			
Corporate Bonds	-	58,305	58,305
U.S. Agency Securities	25,221	-	25,221
U.S. Treasury Securities	78,626	-	78,626
	<u>103,847</u>	<u>58,305</u>	<u>162,152</u>
Investments, at Fair Value	<u>\$ 2,065,596</u>	<u>\$ 58,305</u>	<u>\$ 2,123,901</u>

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Marian House, Inc. and Subsidiaries**

	2018		Total
	Level 1	Level 2	
Cash and Cash Equivalents	\$ 47,626	\$ -	\$ 47,626
Certificates of Deposit	20,060	-	20,060
<b>Mutual Funds:</b>			
Emerging Markets	40,624	-	40,624
Fixed Income	969,087	-	969,087
International	97,715	-	97,715
Domestic	303,297	-	303,297
	<u>1,410,723</u>	<u>-</u>	<u>1,410,723</u>
<b>Equity Securities:</b>			
Consumer Discretionary	48,583	-	48,583
Consumer Staples	6,894	-	6,894
Energy	11,813	-	11,813
Financial	157,031	-	157,031
Health Care	14,867	-	14,867
Industrials	19,556	-	19,556
Information Technology	39,552	-	39,552
Utilities	2,833	-	2,833
Equities Blend	110,017	-	110,017
	<u>411,146</u>	<u>-</u>	<u>411,146</u>
<b>Fixed Income:</b>			
Corporate Bonds	-	57,258	57,258
U.S. Agency Securities	25,979	-	25,979
U.S. Treasury Securities	68,221	-	68,221
	<u>94,200</u>	<u>57,258</u>	<u>151,458</u>
Investments, at Fair Value	<u>\$ 1,983,755</u>	<u>\$ 57,258</u>	<u>\$ 2,041,013</u>

*(See Independent Auditors' Report)*

**NOTE 4**    **PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 and 2018 consisted of the following:

	<b>2019</b>	<b>2018</b>
Land	\$ 24,036	\$ 24,036
Building and Building Improvements	12,286,920	10,742,527
Furniture, Fixtures and Equipment	506,189	431,069
Vehicles	29,097	29,097
Construction in Progress	-	388,001
	12,846,242	11,614,730
Less: Accumulated Depreciation and Amortization	2,985,722	2,626,783
	\$ 9,860,520	\$ 8,987,947

Depreciation expense for the years ended June 30, 2019 and 2018 was \$358,939 and \$281,674, respectively.

**NOTE 5**    **NOTE PAYABLE**

In connection with the financing of the Blessed Sacrament School Building, the Organization has a \$500,501 note payable from the Department of Housing and Community Development. There is no interest on the loan, subject to provisions in the agreement. Repayment is based on a 40-year amortization schedule, with annual principal payments of \$12,513.

**NOTE 6**    **NET ASSETS**

**BOARD-DESIGNATED FUNDS**

The Board of Directors has established three separate reserve funds to help plan for the future. These are the Capital Replacement Reserve Fund, Alumnae Education Fund and Fund for Strategic and Organizational Advancement.

The Capital Replacement Reserve Fund has been established for anticipated capital replacement costs. A committee of the Board of Directors reviews the needs of the program and the condition of the facilities and makes recommendations to the Board.

The Alumnae Education Fund has been established to provide assistance to alumnae of the Marian House program who wish to pursue their education. A committee of the Board of Directors reviews the status of the fund and may allocate specific amounts that can be used for education of former residents.

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Marian House, Inc. and Subsidiaries**

The Fund for Strategic and Organizational Advancement has been established to provide funding to future strategic and organizational advancement projects. A committee of the Board of Directors reviews the status of the fund and may allocate specific amounts that can be used for these programs and projects.

The Board, on a two-thirds majority vote, may undesignate any previously Board-designated funds for use by the Organization for any purpose. The following is a summary of the Board-designated funds:

	<b>Capital Replacement Reserve Fund</b>	<b>Alumnae Education Fund</b>	<b>Fund for Strategic and Organizational Advancement</b>	<b>Total</b>
Balance at June 30, 2017	\$ 323,028	\$ 86,168	\$ 99,234	\$ 508,430
Investment Income Allocation	17,819	5,848	5,476	29,143
Release of Strategic Fund			(104,710)	(104,710)
Balance at June 30, 2018	340,847	92,016	-	432,863
Investment Income Allocation	13,302	4,386	-	17,688
Balance at June 30, 2019	<u>\$ 354,149</u>	<u>\$ 96,402</u>	<u>\$ -</u>	<u>\$ 450,551</u>

**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purpose:

	<b>2019</b>	<b>2018</b>
<b>Subject to Expenditure for Specified Purpose:</b>		
Independence Place	\$ -	\$ 1,030,122
Operations - Future Period	97,500	120,000
Other	77,300	113,204
<b>Subject to Organization's Spending Policy and Appropriation:</b>		
Investment in Perpetuity	19,845	19,845
	<u>\$ 194,645</u>	<u>\$ 1,283,171</u>

*(See Independent Auditors' Report)*

The Organization's permanent endowment is known as the Asta Gauvey/Sr. Augusta Education Fund. This donor-restricted fund is set aside to establish a permanent endowment and serves as seed money that will generate income to support the education programs of the Organization. This fund was established through the generous donation of two donors. Susan Gauvey, Board Chair (1991–2011) made a donation in honor of her mother Asta Gauvey. Sr. Augusta Reilly RSM, former Executive Director of Marian House (1987–2003), donated additional funds upon her retirement. These permanently restricted funds allow for the spending of the investment income generated by the endowment at the discretion of management for the education of current or former residents.

**NOTE 7**    **LINE OF CREDIT**

In August 2018, the Organization established a line of credit agreement with a bank with maximum borrowings of \$1,000,000. The line of credit bears interest at a variable rate and is collateralized by the investment account of the Organization. No amounts were outstanding under the line of credit of June 30, 2019.

**NOTE 8**    **RETIREMENT AND EMPLOYEE SAVINGS PLAN**

The Organization participates in a tax deferred annuity plan under Internal Revenue Code Section 403(b) through the Christian Brothers' 403(b) plan. Participants may elect to contribute to the Christian Brothers' 403(b) plan up to amounts prescribed by Internal Revenue Code Sections 403(b), 403(g), and 415. The Organization contributes an amount equal to 5% of employees' eligible compensation to the Plan for those employees who have completed a year of service and work a minimum of 24 hours per week. The Organization contributed \$53,064 and \$55,101 for the years ended June 30, 2019 and 2018, respectively.

The Organization also makes discretionary retirement savings contributions of 12.65% of religious-affiliated employees' eligible compensation. This is due to religious-affiliated employees not being eligible for social security and Medicare benefits nor being able to participate in the Christian Brothers' 403(b) plan. The Organization contributed \$5,380 and \$5,265 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 9**    **SERENITY PLACE**

As discussed in Note 1, the Organization manages Serenity Place under a management agreement with Marian House II Limited Partnership (MHLP). The Organization indirectly owns .003% of MHLP. The Organization receives reimbursements for certain expenses and a management fee based on rents collected.

*(See Independent Auditors' Report)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**Marian House, Inc. and Subsidiaries**

**NOTE 10**    **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through October 10, 2019, the date the consolidated financial statements were available to be issued.

**NOTE 11**    **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization's financial assets available to meet cash needs for general expenditures within one year of the Consolidated Statements of Financial Position date are as follows:

	<b>2019</b>	<b>2018</b>
Cash and Cash Equivalents	\$ 986,344	\$ 1,502,542
Investments	2,123,901	2,041,013
Pledges	265,907	376,072
Total Financial Assets	3,376,152	3,919,627
<b>Contractual or Donor-Imposed Restrictions:</b>		
Endowment Funds	(19,845)	(19,845)
Donor Contributions Restricted to Specific Purposes	(77,300)	(1,143,326)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year before Board Designations	3,279,007	2,756,456
Board-Designated Operating Reserves	(450,551)	(432,863)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year after Board Designations	\$ 2,828,456	\$ 2,323,593

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. Additionally, the Organization has Board-designated net assets without donor restrictions that could be made available for current operations if necessary.

*(See Independent Auditors' Report)*



**SUPPLEMENTARY INFORMATION**



**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of  
Marian House, Inc.

We have audited the consolidated financial statements of Marian House, Inc. and Subsidiaries as of and for the years ended June 30, 2019 and 2018, and our report thereon dated October 10, 2019, which expressed an unmodified opinion on those consolidated financial statements, appears on Pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on Pages 20 through 23 is 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 audits 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.



ELLIN & TUCKER  
Certified Public Accountants

Baltimore, Maryland  
October 10, 2019

**SCHEDULES OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**Marian House, Inc. and Subsidiaries**  
**June 30, 2019**

	<b>Marian House, Inc.</b>	<b>Independence Enterprises (1, 2, and 3)</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 863,806	\$ 122,538	\$ 986,344	\$ -	\$ 986,344
Restricted Cash	24,552	-	24,552	-	24,552
Investments	2,123,901	-	2,123,901	-	2,123,901
Fees Receivable	130,619	-	130,619	-	130,619
Grants Receivable	89,393	-	89,393	-	89,393
Other Receivables	153,297	1,049,875	1,203,172	(1,157,277)	45,895
Prepaid Expenses	70,327	-	70,327	-	70,327
Other Assets	60,825	58,923	119,748	-	119,748
Property and Equipment, Net	2,953,872	7,380,549	10,334,421	(473,901)	9,860,520
Total Assets	<u>\$ 6,470,592</u>	<u>\$ 8,611,885</u>	<u>\$ 15,082,477</u>	<u>\$ (1,631,178)</u>	<u>\$ 13,451,299</u>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Expenses	\$ 231,525	\$ 1,252,106	\$ 1,483,631	\$ (1,157,277)	\$ 326,354
Deferred Revenue	51,605	-	51,605	-	51,605
Security Deposits and Funds Held for Residents	24,552	10,500	35,052	-	35,052
Note Payable	-	500,501	500,501	-	500,501
Total Liabilities	<u>307,682</u>	<u>1,763,107</u>	<u>2,070,789</u>	<u>(1,157,277)</u>	<u>913,512</u>
<b>NET ASSETS</b>					
<b>Without Donor Restrictions:</b>					
Undesignated Net Assets	5,517,714	6,848,778	12,366,492	(473,901)	11,892,591
Board-Designated Net Assets	450,551	-	450,551	-	450,551
	<u>5,968,265</u>	<u>6,848,778</u>	<u>12,817,043</u>	<u>(473,901)</u>	<u>12,343,142</u>
With Donor Restrictions	194,645	-	194,645	-	194,645
Total Net Assets	<u>6,162,910</u>	<u>6,848,778</u>	<u>13,011,688</u>	<u>(473,901)</u>	<u>12,537,787</u>
Total Liabilities and Net Assets	<u>\$ 6,470,592</u>	<u>\$ 8,611,885</u>	<u>\$ 15,082,477</u>	<u>\$ (1,631,178)</u>	<u>\$ 13,451,299</u>

*(See Independent Auditors' Report on Supplementary Information)*

**SCHEDULES OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**Marian House, Inc. and Subsidiaries**  
**June 30, 2018**

	<b>Marian House, Inc.</b>	<b>Independence Enterprises (1, 2, and 3)</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 969,028	\$ 533,514	\$ 1,502,542	\$ -	\$ 1,502,542
Restricted Cash	42,910	-	42,910	-	42,910
Investments	2,041,013	-	2,041,013	-	2,041,013
Fees Receivable	197,896	-	197,896	-	197,896
Grants Receivable	32,640	-	32,640	-	32,640
Other Receivables	18,641	193,685	212,326	(66,790)	145,536
Prepaid Expenses	62,819	-	62,819	-	62,819
Other Assets	59,000	53,630	112,630	-	112,630
Property and Equipment, Net	3,082,365	6,328,877	9,411,242	(423,295)	8,987,947
Total Assets	<u>\$ 6,506,312</u>	<u>\$ 7,109,706</u>	<u>\$ 13,616,018</u>	<u>\$ (490,085)</u>	<u>\$ 13,125,933</u>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Expenses	\$ 300,134	\$ 176,784	\$ 476,918	\$ (66,790)	\$ 410,128
Deferred Revenue	50,245	-	50,245	-	50,245
Security Deposits and Funds Held for Residents	42,910	9,500	52,410	-	52,410
Note Payable	-	500,501	500,501	-	500,501
Total Liabilities	<u>393,289</u>	<u>686,785</u>	<u>1,080,074</u>	<u>(66,790)</u>	<u>1,013,284</u>
<b>NET ASSETS</b>					
<b>Without Donor Restrictions:</b>					
Undesignated Net Assets	5,427,111	5,392,799	10,819,910	(423,295)	10,396,615
Board-Designated Net Assets	432,863	-	432,863	-	432,863
	<u>5,859,974</u>	<u>5,392,799</u>	<u>11,252,773</u>	<u>(423,295)</u>	<u>10,829,478</u>
With Donor Restrictions	253,049	1,030,122	1,283,171	-	1,283,171
Total Net Assets	<u>6,113,023</u>	<u>6,422,921</u>	<u>12,535,944</u>	<u>(423,295)</u>	<u>12,112,649</u>
Total Liabilities and Net Assets	<u>\$ 6,506,312</u>	<u>\$ 7,109,706</u>	<u>\$ 13,616,018</u>	<u>\$ (490,085)</u>	<u>\$ 13,125,933</u>

*(See Independent Auditors' Report on Supplementary Information)*

**SCHEDULES OF CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Marian House, Inc. and Subsidiaries**  
**For the Year Ended June 30, 2019**

	<b>Marian House, Inc.</b>			<b>Independence Enterprises (1, 2, and 3)</b>			<b>Eliminations</b>	<b>Consolidated</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Subtotal</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Subtotal</b>		
<b>REVENUE AND SUPPORT</b>								
Contributions and Non-Government Grants	\$ 391,552	\$ 451,800	\$ 843,352	\$ -	\$ 658,554	\$ 658,554	\$ -	\$ 1,501,906
Fees and Grants from Federal Government Sources	1,297,464	-	1,297,464	235,347	-	235,347	-	1,532,811
Fees and Grants from Non-Federal Government Sources	767,898	-	767,898	-	-	-	-	767,898
Management Fees	42,259	-	42,259	-	-	-	(25,662)	16,597
Developer Fee	65,835	-	65,835	-	-	-	(65,835)	-
Resident Fees	138,998	-	138,998	75,203	-	75,203	(10,000)	204,201
Special Events, Net of Direct Expenses of \$23,377	83,830	-	83,830	-	-	-	-	83,830
Other	527	-	527	9,170	-	9,170	-	9,697
	<u>2,788,363</u>	<u>451,800</u>	<u>3,240,163</u>	<u>319,720</u>	<u>658,554</u>	<u>978,274</u>	<u>(101,497)</u>	<u>4,116,940</u>
Net Assets Released from Restrictions	510,204	(510,204)	-	1,688,676	(1,688,676)	-	-	-
Total Revenue and Support	<u>3,298,567</u>	<u>(58,404)</u>	<u>3,240,163</u>	<u>2,008,396</u>	<u>(1,030,122)</u>	<u>978,274</u>	<u>(101,497)</u>	<u>4,116,940</u>
<b>EXPENSES</b>								
Program	2,645,633	-	2,645,633	475,877	-	475,877	(23,706)	3,097,804
General and Administrative	349,804	-	349,804	76,540	-	76,540	(27,185)	399,159
Fundraising	291,023	-	291,023	-	-	-	-	291,023
Total Expenses	<u>3,286,460</u>	<u>-</u>	<u>3,286,460</u>	<u>552,417</u>	<u>-</u>	<u>552,417</u>	<u>(50,891)</u>	<u>3,787,986</u>
Change in Net Assets before Investment Income	12,107	(58,404)	(46,297)	1,455,979	(1,030,122)	425,857	(50,606)	328,954
<b>INVESTMENT INCOME, NET OF INVESTMENT FEES OF \$22,097</b>	48,010	-	48,010	-	-	-	-	48,010
<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS</b>	48,174	-	48,174	-	-	-	-	48,174
Change in Net Assets	108,291	(58,404)	49,887	1,455,979	(1,030,122)	425,857	(50,606)	425,138
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>5,859,974</u>	<u>253,049</u>	<u>6,113,023</u>	<u>5,392,799</u>	<u>1,030,122</u>	<u>6,422,921</u>	<u>(423,295)</u>	<u>12,112,649</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,968,265</u>	<u>\$ 194,645</u>	<u>\$ 6,162,910</u>	<u>\$ 6,848,778</u>	<u>\$ -</u>	<u>\$ 6,848,778</u>	<u>\$ (473,901)</u>	<u>\$ 12,537,787</u>

*(See Independent Auditors' Report on Supplementary Information)*

	Marian House, Inc.			Independence Enterprises (1, 2, and 3)			Eliminations	Consolidated
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	With Donor Restrictions	Subtotal		
<b>REVENUE AND SUPPORT</b>								
Contributions and Non-Government Grants	\$ 347,984	\$ 561,603	\$ 909,587	\$ -	\$ 1,924,799	\$ 1,924,799	\$ (104,710)	\$ 2,729,676
Fees and Grants from Federal Government Sources	1,341,710	-	1,341,710	-	-	-	-	1,341,710
Fees and Grants from Non-Federal Government Sources	626,363	-	626,363	-	-	-	-	626,363
Management Fees	27,574	-	27,574	-	-	-	(10,084)	17,490
Developer Fee	432,915	-	432,915	-	-	-	(432,915)	-
Resident Fees	171,759	-	171,759	120,059	-	120,059	-	291,818
Special Events, Net of Direct Expenses of \$27,176	112,900	-	112,900	-	-	-	-	112,900
Other	319	-	319	6,658	-	6,658	-	6,977
	3,061,524	561,603	3,623,127	126,717	1,924,799	2,051,516	(547,709)	5,126,934
Net Assets Released from Restrictions	545,420	(545,420)	-	5,544,493	(5,544,493)	-	-	-
	3,606,944	16,183	3,623,127	5,671,210	(3,619,694)	2,051,516	(547,709)	5,126,934
<b>EXPENSES</b>								
Program	2,676,283	-	2,676,283	241,845	-	241,845	(113,368)	2,804,760
General and Administrative	337,199	-	337,199	36,566	-	36,566	(11,046)	362,719
Fundraising	314,139	-	314,139	-	-	-	-	314,139
	3,327,621	-	3,327,621	278,411	-	278,411	(124,414)	3,481,618
Change in Net Assets before Investment Income	279,323	16,183	295,506	5,392,799	(3,619,694)	1,773,105	(423,295)	1,645,316
<b>INVESTMENT INCOME, NET OF INVESTMENT FEES OF \$21,643</b>	32,249	-	32,249	-	-	-	-	32,249
<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS</b>	71,771	-	71,771	-	-	-	-	71,771
Change in Net Assets	383,343	16,183	399,526	5,392,799	(3,619,694)	1,773,105	(423,295)	1,749,336
<b>NET ASSETS - BEGINNING OF YEAR</b>	5,476,631	236,866	5,713,497	-	4,649,816	4,649,816	-	10,363,313
<b>NET ASSETS - END OF YEAR</b>	\$ 5,859,974	\$ 253,049	\$ 6,113,023	\$ 5,392,799	\$ 1,030,122	\$ 6,422,921	\$ (423,295)	\$ 12,112,649

(See Independent Auditors' Report on Supplementary Information)