ELLIN & TUCKER

MARIAN HOUSE, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

MARIAN HOUSE

Women Moving From Dependence To Independence

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2020 and 2019 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

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, 2020 and 2019, 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*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, 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

ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
October 30, 2020

ASSETS

	2020	2019
ASSETS		
Cash and Cash Equivalents	$ 1,204,164	$ 986,344
Restricted Cash (Note 2)	27,144	24,552
Investments (Note 3)	2,187,705	2,123,901
Fees Receivable	340,188	130,619
Grants Receivable	30,033	89,393
Other Receivables	84,701	45,895
Prepaid Expenses	67,753	70,327
Other Assets	85,458	119,748
Property and Equipment, Net (Note 4)	10,512,773	9,860,520
Total Assets	$ 14,539,919	$ 13,451,299

LIABILITIES AND NET ASSETS

	2020	2019
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 241,144	$ 326,354
Deferred Revenue	62,128	51,605
Security Deposits and Funds Held for Residents	44,495	35,052
SBA Paycheck Protection Program (Note 5)	407,068	-
Note Payable (Note 5)	500,501	500,501
Total Liabilities	1,255,336	913,512
NET ASSETS (Note 6)		
Without Donor Restrictions:		
Undesignated Net Assets	12,316,350	11,892,591
Board-Designated Net Assets	816,388	450,551
	13,132,738	12,343,142
With Donor Restrictions	151,845	194,645
Total Net Assets	13,284,583	12,537,787
Total Liabilities and Net Assets	$ 14,539,919	$ 13,451,299

(See Independent Auditors' Report and Accompanying Notes)

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
REVENUE AND SUPPORT						
Contributions and Non-Government Grants	$ 443,916	$ 1,122,500	$ 1,566,416	$ 391,552	$ 1,110,354	$ 1,501,906
Fees and Grants from Federal Government Sources	1,649,477	-	1,649,477	1,532,811	-	1,532,811
Fees and Grants from Non-Federal Government Sources	1,024,308	-	1,024,308	767,898	-	767,898
Management Fees (Note 9)	17,339	-	17,339	16,597	-	16,597
Resident Fees	326,719	-	326,719	204,201	-	204,201
Special Events, Net of Direct Expenses of $42,520 and $23,377	115,804	-	115,804	83,830	-	83,830
Other	407	-	407	9,697	-	9,697
	3,577,970	1,122,500	4,700,470	3,006,586	1,110,354	4,116,940
Net Assets Released from Restrictions	1,165,300	(1,165,300)	-	2,198,880	(2,198,880)	-
Total Revenue and Support	4,743,270	(42,800)	4,700,470	5,205,466	(1,088,526)	4,116,940
EXPENSES						
Program	3,285,254	-	3,285,254	3,097,804	-	3,097,804
General and Administrative	411,252	-	411,252	399,159	-	399,159
Fundraising	327,099	-	327,099	291,023	-	291,023
Total Expenses	4,023,605	-	4,023,605	3,787,986	-	3,787,986
Change in Net Assets before Investment Income	719,665	(42,800)	676,865	1,417,480	(1,088,526)	328,954
INVESTMENT INCOME, NET OF INVESTMENT FEES OF $23,101 AND $22,097	45,609	-	45,609	48,010	-	48,010
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	24,322	-	24,322	48,174	-	48,174
Change in Net Assets	789,596	(42,800)	746,796	1,513,664	(1,088,526)	425,138
NET ASSETS - BEGINNING OF YEAR	12,343,142	194,645	12,537,787	10,829,478	1,283,171	12,112,649
NET ASSETS - END OF YEAR	$ 13,132,738	$ 151,845	$ 13,284,583	$ 12,343,142	$ 194,645	$ 12,537,787

(See Independent Auditors' Report and Accompanying Notes)

	Program Services		Supporting Services						Total Expenses	
			General and Administrative		Fundraising		Total			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Salaries	$ 1,119,099	$ 1,084,168	$ 245,868	$ 231,383	$ 238,298	$ 218,765	$ 484,166	$ 450,148	$ 1,603,265	$ 1,534,316
Payroll Taxes and Employee Benefits	227,100	217,715	44,814	42,332	39,986	33,509	84,800	75,841	311,900	293,556
Total Salaries and Related Expenses	1,346,199	1,301,883	290,682	273,715	278,284	252,274	568,966	525,989	1,915,165	1,827,872
Bank Fees	1,096	738	5,921	6,325	788	40	6,709	6,365	7,805	7,103
Contractual Services	40,634	26,849	3,274	1,764	3,110	2,591	6,384	4,355	47,018	31,204
Education	30,540	27,712	15	125	30	161	45	286	30,585	27,998
Food	41,029	44,541	-	-	-	-	-	-	41,029	44,541
Household Supplies	23,174	22,055	-	-	-	-	-	-	23,174	22,055
Insurance	68,762	40,555	5,742	5,422	1,119	996	6,861	6,418	75,623	46,973
Marketing	203	-	-	-	3,760	10,044	3,760	10,044	3,963	10,044
Medical Supplies	18,516	13,259	-	84	-	65	-	149	18,516	13,408
Meetings	5,056	6,140	6,172	7,976	1,607	2,309	7,779	10,285	12,835	16,425
Miscellaneous	7,871	8,734	3,521	2,890	871	157	4,392	3,047	12,263	11,781
Office	4,330	7,580	3,539	2,947	1,014	588	4,553	3,535	8,883	11,115
Personal Resident	13,943	15,600	-	-	-	-	-	-	13,943	15,600
Postage	220	322	679	513	4,720	1,990	5,399	2,503	5,619	2,825
Printing	-	317	645	317	18,443	9,838	19,088	10,155	19,088	10,472
Professional Fees	52,061	42,143	36,521	47,373	10,348	7,950	46,869	55,323	98,930	97,466
Rent	957,053	871,065	-	-	-	-	-	-	957,053	871,065
Repairs and Maintenance	171,906	211,130	695	394	1,187	411	1,882	805	173,788	211,935
Telephone and Cable	25,040	22,867	940	898	-	-	940	898	25,980	23,765
Transportation	8,053	8,527	1,176	789	671	466	1,847	1,255	9,900	9,782
Utilities	67,473	67,860	3,589	3,681	-	-	3,589	3,681	71,062	71,541
Water	44,473	42,497	1,643	1,580	-	-	1,643	1,580	46,116	44,077
Total Expenses before Depreciation of Property and Equipment	2,927,632	2,782,374	364,754	356,793	325,952	289,880	690,706	646,673	3,618,338	3,429,047
Depreciation	357,622	315,430	46,498	42,366	1,147	1,143	47,645	43,509	405,267	358,939
Total Expenses	$ 3,285,254	$ 3,097,804	$ 411,252	$ 399,159	$ 327,099	$ 291,023	$ 738,351	$ 690,182	$ 4,023,605	$ 3,787,986
Percentage to Total	81.6%	81.8%	10.2%	10.5%	8.1%	7.7%	18.4%	18.2%	100.0%	100.0%

(See Independent Auditors' Report and Accompanying Notes)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 746,796	$ 425,138
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	405,264	358,939
Net Realized and Unrealized Gain on Investments	(24,322)	(48,174)
Non-Cash Contribution of Property	(800,000)	-
Net Changes in:		
Fees Receivable	(209,569)	67,277
Grants Receivable	59,360	(56,753)
Other Receivables	(38,806)	99,641
Prepaid Expenses	2,574	(7,508)
Security Deposits	9,443	(17,358)
Other Assets	34,290	(7,118)
Accounts Payable and Accrued Expenses	(85,210)	(83,774)
Deferred Revenue	10,523	1,360
Net Cash Provided by Operating Activities	110,343	731,670
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(257,517)	(1,231,512)
Purchase of Investments	(588,250)	(595,726)
Proceeds from Sales of Investments	548,768	561,012
Net Cash Used in Investing Activities	(296,999)	(1,266,226)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from SBA Paycheck Protection Program	407,068	-
Net Change in Cash and Cash Equivalents	220,412	(534,556)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	1,010,896	1,545,452
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 1,231,308	$ 1,010,896

(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 social services, 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 and children in crisis. Marian House was started as a joint project by the School Sisters of Notre Dame and Sisters of Mercy. Marian House provides supportive housing, counseling, substance abuse treatment, case management, 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 substance abuse treatment 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 structured, supportive and loving community.

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 $725,265 and $704,588 for the years ended June 30, 2020 and 2019, 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 $95,423 and $84,395 for the years ended June 30, 2020 and 2019, respectively, and is included in the Consolidated Statements of Activities as resident fees.

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.

Independence Enterprises expanded its operations during the fiscal year ended June 30, 2020 to include an additional limited liability company that is also wholly owned by Marian House, Inc. named IE At The Alameda LLC (Alameda) and formed to purchase and manage homes that will provide permanent housing in its Affordable Housing Program. As of June 30, 2020, Alameda owned two homes in the community that provide housing for four women and their children. Marian House graduates in need of housing at affordable rates will be eligible to apply for housing in one of these buildings. It is expected that some residents will qualify for subsidized housing but, for those who do not qualify, they may be approved to move in at a below market rate.

In June 2020, Marian House acquired the Women's Industrial Exchange and, subsequently, formed another limited liability company named MH At The WIE LLC. MH At The WIE will allow for Marian House to expand its operations and continue its mission of helping women while preserving and protecting the long history of the Women's Industrial Exchange. MH At The WIE is responsible for operating and maintaining the five-story building listed on the National Register of Historic Places in downtown Baltimore, which includes retail spaces that could be used as a gift shop and restaurant along with seven apartment units on the upper floors. The seven units available in this building will be utilized for market-rate and subsidized permanent housing as well as affordable housing. Marian House is engaging members of the business community, city officials, and interested individuals in its future planning process.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Marian House, Inc. and subsidiaries, IE1, IE2, IE3, Alameda, and WIE (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 STANDARDS ADOPTED

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended by subsequent ASUs (collectively, ASC 606) which amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods or services. The Organization adopted ASU 2014-09 effective July 1, 2019 using the modified retrospective transition method. The adoption of ASU 2014-09 did not materially impact the timing and measurement of revenue recognition. As a result, the Organization did not recognize a cumulative effect adjustment to the opening balance of net assets.

In June 2019, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies when a grant should be accounted for as a contribution or an exchange transaction. The Organization adopted ASU 2018-08 as of July 1, 2019 under the modified prospective approach. The adoption of ASU 2018-08 did not materially impact the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), which standardizes the existing accounting standards for restricted cash presented within a cash flow statement. The Organization adopted ASU 2016-18 effective July 1, 2019, using the retrospective method.

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.

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

(See Independent Auditors' Report)

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.

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.

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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) global pandemic. This contagious disease outbreak has adversely affected workforces, economies, and global financial markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 as well as its impact on the global economy. Therefore, the Organization is currently unable to determine the extent of the impact to its future level of rental revenue, contributions, foundation grants and government funding. The Organization expects at least a 30% reduction in revenue, particularly revenue from rental income, which is expected to decrease by approximately 57% due to residents who have in part, or in whole, lost their jobs because of the pandemic. Marian House serves individuals who work entry-level jobs and/or have recently attained employment and are, therefore, at risk of job loss, especially during challenging times.

(See Independent Auditors' Report)

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, 2020 and 2019 consisted of the following:

	2020	2019
Cash and Cash Equivalents	$ 144,189	$ 294,554
Mutual Funds	1,429,445	1,236,148
Equity Securities	477,432	431,047
Corporate Bonds	63,891	58,305
U.S. Government and Agency Securities	72,748	103,847
Total Investments at Fair Value	$ 2,187,705	$ 2,123,901
Total Investments at Cost	$ 1,941,051	$ 1,905,272

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:

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.

(See Independent Auditors' Report)

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.

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.

The following sets forth by level, within the fair value hierarchy, the Organization's investments for the years ended June 30, 2020 and 2019:

	2020		
	Level 1	Level 2	Total
Cash and Cash Equivalents	$ 144,189	$ -	$ 144,189
Mutual Funds:			
Emerging Markets	134,141	-	134,141
Fixed Income	804,376	-	804,376
International	177,246	-	177,246
Domestic	313,682	-	313,682
	1,429,445	-	1,429,445
Equity Securities:			
Communication Services	36,251	-	36,251
Consumer Discretionary	31,914	-	31,914
Consumer Staples	11,581	-	11,581
Energy	10,178	-	10,178
Financial	163,410	-	163,410
Health Care	18,120	-	18,120
Industrials	9,626	-	9,626
Information Technology	41,046	-	41,046
Utilities	9,734	-	9,734
Equities Blend	145,572	-	145,572
	477,432	-	477,432
Fixed Income:			
Corporate Bonds	-	63,891	63,891
U.S. Agency Securities	13,120	-	13,120
U.S. Treasury Securities	59,628	-	59,628
	72,748	63,891	136,639
Investments, at Fair Value	$ 2,123,814	$ 63,891	$ 2,187,705

	2019		
	Level 1	**Level 2**	**Total**
Cash and Cash Equivalents	$ 294,554	$ -	$ 294,554
Mutual Funds:			
Emerging Markets	63,816	-	63,816
Fixed Income	765,471	-	765,471
International	92,625	-	92,625
Domestic	314,236	-	314,236
	1,236,148	-	1,236,148
Equity Securities:			
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
	431,047	-	431,047
Fixed Income:			
Corporate Bonds	-	58,305	58,305
U.S. Agency Securities	25,221	-	25,221
U.S. Treasury Securities	78,626	-	78,626
	103,847	58,305	162,152
Investments, at Fair Value	$ 2,065,596	$ 58,305	$ 2,123,901

(See Independent Auditors' Report)

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Land	$ 214,036	$ 24,036
Building and Building Improvements	13,130,039	12,286,920
Furniture, Fixtures and Equipment	497,637	506,189
Vehicles	57,240	29,097
	13,898,952	12,846,242
Less: Accumulated Depreciation and Amortization	3,386,179	2,985,722
Property and Equipment, Net	$ 10,512,773	$ 9,860,520

Depreciation expense for the years ended June 30, 2020 and 2019 was $405,264 and $358,939, respectively.

NOTE 5 NOTES 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 up to $12,513 contingent on the availability of surplus cash from the operation of the building.

In May 2020, the Organization received a loan of $407,068 under the Small Business Administration's Paycheck Protection Program. Either a portion or all of the loan may be forgiven provided the funds are used for the specific purposes outlined by the Paycheck Protection Program. Any amounts not forgiven will be repaid in monthly installments including interest at 1% beginning November 2020 through May 2022. Management anticipates that all requirements of the program will be met and the full loan amount will be forgiven, at which time the loan forgiveness income will be recognized.

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 Organizational Expansion.

(See Independent Auditors' Report)

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.

The Expansion Fund has been established for expanding the Organization's permanent housing inventory as part of the new Strategic Plan. A committee of the Board of Directors assesses the financial impact that the acquisitions to expand the permanent housing inventory will have on the Organization and provides recommendations to the Board.

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:

	Capital Replacement Reserve Fund	Alumnae Education Fund	Fund for Organizational Expansion	Total
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	354,149	96,402	-	450,551
Designation of Expansion Fund	-	-	500,000	500,000
Release of Expansion Fund	-	-	(147,882)	(147,882)
Investment Income Allocation	5,907	1,939	5,873	13,719
Balance at June 30, 2020	$ 360,056	$ 98,341	$ 357,991	$ 816,388

(See Independent Auditors' Report)

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the following purposes:

	2020	2019
Subject to Expenditure for Specified Purposes:		
Operations - Future Period	$ 92,000	97,500
Other	40,000	77,300
Subject to Organization's Spending Policy and Appropriation:		
Investment in Perpetuity	19,845	19,845
	$ 151,845	$ 194,645

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 using the investment portfolio as collateral. The value of the line of credit fluctuates as a function of the value of the portfolio. As of June 30, 2020 the Organization had availability of $1,300,000. The line of credit bears interest at a variable rate. No amounts were outstanding under the line of credit as of June 30, 2020 and 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 $67,697 and $53,064 for the years ended June 30, 2020 and 2019, 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 $5,510 and $5,380 for the years ended June 30, 2020 and 2019, 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.

NOTE 10 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through October 30, 2020, 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:

	2020	**2019**
Cash and Cash Equivalents	$ 1,204,164	$ 986,344
Investments	2,187,705	2,123,901
Receivables	454,922	265,907
Total Financial Assets	3,846,791	3,376,152
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(19,845)	(19,845)
Donor Contributions Restricted to Specific Purposes	(40,000)	(77,300)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year before Board Designations	3,786,946	3,279,007
Board-Designated Operating Reserves	(816,388)	(450,551)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year after Board Designations	$ 2,970,558	$ 2,828,456

(See Independent Auditors' Report)

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. The Organization has Board-designated net assets without donor restrictions that could be made available for current operations if necessary.

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 year ended June 30, 2020, and our report thereon dated October 30, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on Pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on Pages 22 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ellin & Tucker

ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
October 30, 2020

	Marian House, Inc.	Independence Enterprises (1, 2, 3 and Alameda)	MH At The WIE LLC	Subtotal	Eliminations	Consolidated
ASSETS						
Cash and Cash Equivalents	$ 1,157,465	$ 46,599	$ 100	$ 1,204,164	$ -	$ 1,204,164
Restricted Cash	27,144	-	-	27,144	-	27,144
Investments	2,187,705	-	-	2,187,705	-	2,187,705
Fees Receivable	340,188	-	-	340,188	-	340,188
Grants Receivable	30,033	-	-	30,033	-	30,033
Other Receivables	91,649	95,886	21,991	209,526	(124,825)	84,701
Prepaid Expenses	67,753	-	-	67,753	-	67,753
Other Assets	71,227	14,231	-	85,458	-	85,458
Property and Equipment, Net	2,738,202	7,408,960	823,720	10,970,882	(458,109)	10,512,773
Total Assets	$ 6,711,366	$ 7,565,676	$ 845,811	$ 15,122,853	$ (582,934)	$ 14,539,919
LIABILITIES						
Accounts Payable and Accrued Expenses	$ 215,898	$ 148,171	$ 1,900	$ 365,969	$ (124,825)	$ 241,144
Deferred Revenue	62,128	-	-	62,128	-	62,128
Security Deposits and Funds Held for Residents	27,144	17,351	-	44,495	-	44,495
SBA Paycheck Protection Program	407,068	-	-	407,068	-	407,068
Note Payable	-	500,501	-	500,501	-	500,501
Total Liabilities	712,238	666,023	1,900	1,380,161	(124,825)	1,255,336
NET ASSETS						
Without Donor Restrictions:						
Undesignated Net Assets	5,030,895	6,899,653	843,911	12,774,459	(458,109)	12,316,350
Board-Designated Net Assets	816,388	-	-	816,388	-	816,388
	5,847,283	6,899,653	843,911	13,590,847	(458,109)	13,132,738
With Donor Restrictions	151,845	-	-	151,845	-	151,845
Total Net Assets	5,999,128	6,899,653	843,911	13,742,692	(458,109)	13,284,583
Total Liabilities and Net Assets	$ 6,711,366	$ 7,565,676	$ 845,811	$ 15,122,853	$ (582,934)	$ 14,539,919

(See Independent Auditors' Report on Supplementary Information)

	Marian House, Inc.			Independence Enterprises (1, 2, 3 and Alameda)			MH At The WIE LLC				
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	With Donor Restrictions	Subtotal	Eliminations	Consolidated
REVENUE AND SUPPORT											
Contributions and Non-Government Grants	$ 411,134	$ 317,500	$ 728,634	$ 1,347,173	$ 5,000	$ 1,352,173	$ 49,300	$ 800,000	$ 849,300	(1,363,691)	$ 1,566,416
Fees and Grants from Federal Government Sources	1,404,605	-	1,404,605	244,872	-	244,872	-	-	-	-	1,649,477
Fees and Grants from Non-Federal Government Sources	1,024,308	-	1,024,308	-	-	-	-	-	-	-	1,024,308
Management Fees	43,453	-	43,453	-	-	-	-	-	-	(26,114)	17,339
Resident Fees	192,081	-	192,081	134,638	-	134,638	-	-	-	-	326,719
Special Events, Net of Direct Expenses of $42,520	115,804	-	115,804	-	-	-	-	-	-	-	115,804
Other	157	-	157	250	-	250	-	-	-	-	407
	3,191,542	317,500	3,509,042	1,726,933	5,000	1,731,933	49,300	800,000	849,300	(1,389,805)	4,700,470
Net Assets Released from Restrictions	360,300	(360,300)	-	5,000	(5,000)	-	800,000	(800,000)	-	-	-
Total Revenue and Support	3,551,842	(42,800)	3,509,042	1,731,933	-	1,731,933	849,300	-	849,300	(1,389,805)	4,700,470
EXPENSES											
Program	3,050,905	-	3,050,905	1,607,057	-	1,607,057	5,195	-	5,195	(1,377,903)	3,285,254
General and Administrative	364,751	-	364,751	74,001	-	74,001	194	-	194	(27,694)	411,252
Fundraising	327,099	-	327,099	-	-	-	-	-	-	-	327,099
Total Expenses	3,742,755	-	3,742,755	1,681,058	-	1,681,058	5,389	-	5,389	(1,405,597)	4,023,605
Change in Net Assets before Investment Income	(190,913)	(42,800)	(233,713)	50,875	-	50,875	843,911	-	843,911	15,792	676,865
INVESTMENT INCOME, NET OF INVESTMENT FEES OF $23,101	45,609	-	45,609	-	-	-	-	-	-	-	45,609
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	24,322	-	24,322	-	-	-	-	-	-	-	24,322
Change in Net Assets	(120,982)	(42,800)	(163,782)	50,875	-	50,875	843,911	-	843,911	15,792	746,796
NET ASSETS - BEGINNING OF YEAR	5,968,265	194,645	6,162,910	6,848,778	-	6,848,778	-	-	-	(473,901)	12,537,787
NET ASSETS - END OF YEAR	$ 5,847,283	$ 151,845	$ 5,999,128	$ 6,899,653	$ -	$ 6,899,653	$ 843,911	$ -	$ 843,911	$ (458,109)	$ 13,284,583

(See Independent Auditors' Report on Supplementary Information)