ELLIN & TUCKER

MARIAN HOUSE, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

MARIAN HOUSE

Women Moving From Dependence To Independence

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Marian House, Inc.

OPINION

We 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, 2022 and 2021, 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.

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, 2022 and 2021 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.

BASIS FOR OPINION

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT 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 and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Independent Auditors' Report, Continued

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance matters regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also issued our report dated September 28, 2022 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

INDEPENDENT AUDITORS' REPORT, CONTINUED

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 on compliance. The 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
September 28, 2022

ASSETS

	2022	2021
ASSETS		
Cash and Cash Equivalents	$ 335,726	$ 426,536
Restricted Cash (Note 2)	40,536	50,393
Investments (Note 3)	2,814,585	3,557,656
Fees Receivable	435,205	256,118
Grants Receivable	1,088	2,913
Other Receivables	48,085	50,409
Prepaid Expenses	70,675	63,785
Other Assets	114,389	93,501
Property and Equipment, Net (Note 4)	10,842,044	11,169,173
Total Assets	$ 14,702,333	$ 15,670,484

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 244,168	$ 282,972
Deferred Revenue	72,609	71,506
Security Deposits and Funds Held for Residents	72,196	72,687
Long-Term Debt (Note 5)	992,316	1,018,501
Total Liabilities	1,381,289	1,445,666
COMMITMENTS (Note 8)		
NET ASSETS (Note 7)		
Without Donor Restrictions:		
Undesignated Net Assets	12,223,615	12,766,955
Board-Designated Net Assets	907,063	1,101,018
	13,130,678	13,867,973
With Donor Restrictions	190,366	356,845
Total Net Assets	13,321,044	14,224,818
Total Liabilities and Net Assets	$ 14,702,333	$ 15,670,484

(See Independent Auditors' Report and Accompanying Notes)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions and Non-Government Grants	$ 570,840	$ 355,770	$ 926,610	$ 268,002	$ 927,623	$ 1,195,625
Fees and Grants from Federal Government Sources	1,590,343	-	1,590,343	1,605,098	-	1,605,098
Fees and Grants from Non-Federal Government Sources	716,748	-	716,748	762,754	-	762,754
Management Fees (Note 10)	16,760	-	16,760	17,004	-	17,004
Resident Fees	554,726		554,726	430,814	-	430,814
Special Events, Net of Direct Expenses of $71,850 and $23,685, Respectively	239,854	-	239,854	130,802	-	130,802
Paycheck Protection Program Contribution (Note 6)	-	-	-	377,681	-	377,681
Other	26,188	-	26,188	9,918	-	9,918
	3,715,459	355,770	4,071,229	3,602,073	927,623	4,529,696
Net Assets Released from Restrictions	522,249	(522,249)	-	722,623	(722,623)	-
Total Revenue and Support	4,237,708	(166,479)	4,071,229	4,324,696	205,000	4,529,696
EXPENSES						
Program	3,650,011	-	3,650,011	3,425,519	-	3,425,519
General and Administrative	502,372	-	502,372	441,629	-	441,629
Fundraising	329,544	-	329,544	313,847	-	313,847
Total Expenses	4,481,927	-	4,481,927	4,180,995	-	4,180,995
Change in Net Assets before Non-Operating Activities	(244,219)	(166,479)	(410,698)	143,701	205,000	348,701
NON-OPERATING ACTIVITIES						
Investment Income, Net of Investment Fees of $26,923 and $25,428, Respectively	69,492	-	69,492	32,195	-	32,195
Net Realized and Unrealized (Loss) Gain on Investments	(562,567)	-	(562,567)	559,339	-	559,339
Total Non-Operating Activities	(493,075)	-	(493,075)	591,534	-	591,534
Change in Net Assets	(737,294)	(166,479)	(903,773)	735,235	205,000	940,235
NET ASSETS – BEGINNING OF YEAR	13,867,973	356,845	14,224,818	13,132,738	151,845	13,284,583
NET ASSETS – END OF YEAR	$ 13,130,679	$ 190,366	$ 13,321,045	$ 13,867,973	$ 356,845	$ 14,224,818

(See Independent Auditors' Report and Accompanying Notes)

	Program Services		Supporting Services						Total Expenses	
			General and Administrative		Fundraising		Total			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Salaries	$ 1,256,052	$ 1,129,181	$ 279,842	$ 266,325	$ 242,909	$ 223,949	$ 522,751	$ 490,274	$ 1,778,803	$ 1,619,455
Payroll Taxes and Employee Benefits	241,587	208,316	40,349	45,703	37,092	33,439	77,441	79,142	319,028	287,458
Total Salaries and Related Expenses	1,497,639	1,337,497	320,191	312,028	280,001	257,388	600,192	569,416	2,097,831	1,906,913
Bank Fees	1,847	1,008	9,469	8,535	(40)	106	9,429	8,641	11,276	9,649
Contractual Services	45,437	44,962	6,494	2,642	3,295	2,944	9,789	5,586	55,226	50,548
Costs of Goods Sold	3,138	-	-	-	-	-	-	-	3,138	-
Education	19,168	21,771	1,443	75	-	399	1,443	474	20,611	22,245
Food	44,078	33,842	-	-	-	-	-	-	44,078	33,842
Household Supplies	26,634	24,625	-	-	-	-	-	-	26,634	24,625
Insurance	85,469	86,255	7,238	6,159	1,303	1,199	8,541	7,358	94,010	93,613
Marketing	-	-	-	-	9,443	12,681	9,443	12,681	9,443	12,681
Medical Supplies	30,566	16,218	112	-	84	28	196	28	30,762	16,246
Meetings	8,654	6,631	37,418	6,087	934	594	38,352	6,681	47,006	13,312
Miscellaneous	4,914	8,183	5,688	2,488	100	738	5,788	3,226	10,702	11,409
Office	5,762	4,638	3,076	2,774	279	645	3,355	3,419	9,117	8,057
Personal Resident	14,360	23,483	-	-	-	-	-	-	14,360	23,483
Postage	307	172	1,087	1,240	3,917	5,263	5,004	6,503	5,311	6,675
Printing	-	-	402	8,675	16,698	20,302	17,100	28,977	17,100	28,977
Professional Fees	61,745	41,943	48,510	30,571	11,204	8,328	59,714	38,899	121,459	80,842
Rent	975,483	972,020	-	308	-	-	-	308	975,483	972,328
Repairs and Maintenance	229,649	269,771	3,492	5,086	1,188	1,573	4,680	6,659	234,329	276,430
Telephone and Cable	26,000	25,037	1,378	1,009	-	-	1,378	1,009	27,378	26,046
Transportation	11,941	10,709	76	47	89	527	165	574	12,106	11,283
Utilities	102,832	76,422	5,151	3,776	-	-	5,151	3,776	107,983	80,198
Water	64,586	41,295	2,104	1,846	-	-	2,104	1,846	66,690	43,141
Total Expenses before Depreciation of Property and Equipment	3,260,209	3,046,482	453,329	393,346	328,495	312,715	781,824	706,061	4,042,033	3,752,543
Depreciation of Property and Equipment	389,803	379,037	49,043	48,283	1,049	1,132	50,092	49,415	439,895	428,452
Total Expenses	$ 3,650,012	$ 3,425,519	$ 502,372	$ 441,629	$ 329,544	$ 313,847	$ 831,916	$ 755,476	$ 4,481,928	$ 4,180,995
Percentage to Total	81.4%	81.9%	11.2%	10.6%	7.4%	7.5%	18.6%	18.4%	100.0%	100.0%

(See Independent Auditors' Report and Accompanying Notes)

	2022	2021
OPERATING ACTIVITIES		
Change in Net Assets	$ (903,774)	$ 940,235
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Depreciation	439,895	428,456
Net Realized and Unrealized Loss (Gain) on Investments	562,567	(559,339)
Paycheck Protection Program Contribution	-	(377,681)
Net Changes in:		
Fees Receivable	(179,087)	84,070
Grants Receivable	1,825	27,120
Other Receivables	2,324	34,292
Prepaid Expenses	(6,890)	3,968
Security Deposits	(491)	28,192
Other Assets	(20,888)	(8,043)
Accounts Payable and Accrued Expenses	(38,804)	41,828
Deferred Revenue	1,103	9,378
Net Cash (Used In) Provided by Operating Activities	(142,220)	652,476
INVESTING ACTIVITIES		
Purchase of Property and Equipment	(112,766)	(1,084,856)
Purchase of Investments	(871,366)	(1,703,370)
Proceeds from Sales of Investments	1,051,870	892,758
Net Cash Provided by (Used in) Investing Activities	67,738	(1,895,468)
FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	(26,185)	518,000
Repayment of Paycheck Protection Program Loan	-	(29,387)
Net Cash (Used in) Provided by Financing Activities	(26,185)	488,613
Net Change in Cash and Cash Equivalents	(100,667)	(754,379)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – BEGINNING OF YEAR	476,929	1,231,308
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR	$ 376,262	$ 476,929

(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 women experiencing homelessness in the Baltimore metropolitan area.

Population Served

Marian House serves women and their 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: homelessness, childhood and adult sexual abuse, domestic violence, substance use, chronic mental illness, incarceration, and other forms of trauma.

Program Services

Marian House I, the transitional 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. Residents 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 U.S. Department of Housing and Urban Development (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 $689,108 and $747,219 for the years ended June 30, 2022 and 2021, 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 prorates 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 $127,952 and $102,831 for the years ended June 30, 2022 and 2021, 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, respectively, of the Blessed Sacrament Parish in Baltimore. IE1 manages and maintains the 22-unit apartment building in the former school that provides permanent housing to homeless women and families. IE2 and 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 case managers and a 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, which is also wholly owned by Marian House, named IE at The Alameda LLC (Alameda). Alameda was formed to purchase and manage homes that will provide permanent housing in its Affordable Housing Program. As of June 30, 2021, Alameda owned three homes in the community that provide housing for women and 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 (WIE). 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. WIE is responsible for operating and maintaining the five-story building listed on the National Register of Historic Places in downtown Baltimore that 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.

In June 2021, Marian House acquired a multiple unit apartment building located at 111 East 23rd Street and, subsequently, formed another limited liability company named MH AT 111, LLC (111). 111 will further Marian's House mission of providing affordable, often subsidized, housing in a structured, supportive, and loving community.

In July 2021, Marian House formed BB at MH LLC (BB), a social enterprise and workforce development program providing job experience and business skills to Marian House women as they design, produce, and sell gift baskets.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Marian House, Inc. and its subsidiaries, IE1, IE2, IE3, Alameda, WIE, 111, and BB (collectively referred to as the Organization). All significant interorganization transactions and balances were 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. The Codification is the single source of authoritative GAAP in the United States.

BASIS OF PRESENTATION

The consolidated financial statements were 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.

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.

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.

DONATED SERVICES

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

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 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 Organization's 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 took any tax positions that would not meet this threshold.

NOTE 2 RESTRICTED CASH

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

NOTE 3 INVESTMENTS

Investments at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Cash and Cash Equivalents	$ 179,961	$ 26,246
Mutual Funds	1,773,357	2,410,288
Equity Securities	722,127	880,450
Corporate Bonds	36,500	98,690
U.S. Government and Agency Securities	102,640	141,982
Total Investments at Fair Value	$ 2,814,585	$ 3,557,656
Total Investments at Cost	$ 2,691,098	$ 2,888,139

The Fair Value Measurements and Disclosures Topic of the Codification establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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.

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.

(See Independent Auditors' Report)

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.

Below are descriptions of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used at June 30, 2022 and 2021.

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, 2022 and 2021:

	2022		
	Level 1	**Level 2**	**Total**
Cash and Cash Equivalents	$ 179,961	$ -	$ 179,961
Mutual Funds:			
Emerging Markets	161,637	-	161,637
Fixed Income	773,361	-	773,361
International	208,913	-	208,913
Domestic	629,446	-	629,446
	1,773,357	-	1,773,357

(See Independent Auditors' Report)

	2022		
	Level 1	Level 2	Total
Equity Securities:			
Communication Services	37,502	-	37,502
Consumer Discretionary	40,588	-	40,588
Consumer Staples	13,438	-	13,438
Energy	8,115	-	8,115
Financial	213,415	-	213,415
Health Care	17,581	-	17,581
Industrials	21,222	-	21,222
Information Technology	66,554	-	66,554
Materials	2,099	-	2,099
Utilities	9,927	-	9,927
Equities Blend	291,686	-	291,686
	722,127	-	722,127
Fixed Income:			
Corporate Bonds	-	36,500	36,500
U.S. Agency Securities	11,137	-	11,137
U.S. Treasury Securities	91,503	-	91,503
	102,640	36,500	139,140
Investments, at Fair Value	$ 2,778,085	$ 36,500	$ 2,814,585

	2021		
	Level 1	Level 2	Total
Cash and Cash Equivalents	$ 26,246	$ -	$ 26,246
Mutual Funds:			
Emerging Markets	251,478	-	251,478
Fixed Income	1,206,950	-	1,206,950
International	256,541	-	256,541
Domestic	695,319	-	695,319
	2,410,288	-	2,410,288

	2021		
	Level 1	**Level 2**	**Total**
Equity Securities:			
Communication Services	56,797		56,797
Consumer Discretionary	56,339	-	56,339
Consumer Staples	19,456	-	19,456
Energy	14,486	-	14,486
Financial	248,843	-	248,843
Health Care	32,550	-	32,550
Industrials	25,149	-	25,149
Information Technology	54,703	-	54,703
Utilities	15,470	-	15,470
Equities Blend	356,657	-	356,657
	880,450	-	880,450
Fixed Income:			
Corporate Bonds	-	98,690	98,690
U.S. Agency Securities	19,217	-	19,217
U.S. Treasury Securities	122,765	-	122,765
	141,982	98,690	240,672
Investments, at Fair Value	$ 3,458,966	$ 98,690	$ 3,557,656

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consisted of the following:

	2022	**2021**
Construction in Progress	$ 6,756	$ -
Land	218,872	218,872
Building and Building Improvements	14,260,693	14,169,848
Furniture, Fixtures, and Equipment	455,112	520,130
Vehicles	57,240	57,240
	14,998,673	14,966,090
Less: Accumulated Depreciation and Amortization	4,156,629	3,796,917
Property and Equipment, Net	$ 10,842,044	$ 11,169,173

(See Independent Auditors' Report)

Depreciation expense for the years ended June 30, 2022 and 2021 was $439,895 and $428,452, respectively.

NOTE 5 LONG-TERM DEBT

Long-term debt at June 30, 2022 and 2021 consisted of:

	2022	2021
Note Payable, non-interest bearing, principal payments indefinitely deferred (a)	$ 500,501	$ 500,501
Mortgage Payable, due in monthly installments of $3,781 including interest at 3.75% through June 2031; collateralized by the property	491,815	518,000
Total Long-Term Debt	$ 992,316	$ 1,018,501

(a) This note is payable to the Maryland Department of Housing and Community Development (DHCD) and is subject to provisions in the agreement. Annual principal payments contingent on the availability of surplus cash from the operation of the building up to $12,513 will be deferred until the sooner of 1) an event of default under the loan agreement, at which time all outstanding principal becomes due, or 2) August 2058.

Future principal payments on long-term debt are as follows:

Year Ending June 30,	2023	$ 27,406
	2024	28,452
	2025	29,537
	2026	30,664
	2027	31,834
	Thereafter	844,423
		$ 992,316

NOTE 6 SMALL BUSINESS ADMINISTRATION'S PAYCHECK PROTECTION PROGRAM

In May 2020, the Organization received a loan in the amount of $407,068 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The Organization used the funds primarily for payroll costs incurred during the 24-week period beginning in May 2020 in accordance with the terms of the PPP. The Organization applied for forgiveness of the loan under the terms of the PPP and received notification from the SBA that $377,681 of

(See Independent Auditors' Report)

the loan was forgiven. Contribution income in the amount of $377,681 is included in the Consolidated Statement of Activities for the year ended June 30, 2021. In April 2021, the Organization repaid the unforgiven portion of the loan in full with accrued interest. PPP loans are subject to audit for six years by the U.S. Department of Treasury, SBA, or lender; as a result of such audit, adjustments to the recognition of revenue could be required.

NOTE 7 NET ASSETS

BOARD-DESIGNATED FUNDS

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

The Capital Replacement Reserve Fund was 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 was established to provide assistance to alumnae of the Marian House program who wish to pursue their education. The finance committee reviews the status of the fund and may allocate specific amounts that can be used for education of former residents.

The Fund for Organizational Expansion was established to expand 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, with 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 July 1, 2020	$ 360,056	$ 98,341	$ 357,991	$ 816,388
Designation of Expansion Fund	-	-	364,225	364,225
Release of Expansion Fund	-	-	(216,344)	(216,344)
Investment Income Allocation	49,907	16,382	70,460	136,749
Balance at June 30, 2021	409,963	114,723	576,332	1,101,018

(See Independent Auditors' Report)

	Capital Replacement Reserve Fund	Alumnae Education Fund	Fund for Organizational Expansion	Total
Release of Expansion Fund	-	-	-	-
Designation of Expansion Fund	-	-	-	-
Investment Income Allocation	(70,940)	(23,286)	(99,729)	(193,955)
Balance at June 30, 2022	$ 339,023	$ 91,437	$ 476,603	$ 907,063

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021 were restricted for the following purposes:

	2022	2021
Subject to Expenditure for Specified Purposes:		
Operations for Future Period	$ 152,000	117,000
Other	18,521	220,000
Subject to Organization's Spending Policy and Appropriation:		
Investment in Perpetuity	19,845	19,845
	$ 190,366	$ 356,845

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 R.S.M., 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 8 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, 2022, the Organization had availability of $1,350,000. The line of credit bears interest at a variable rate. No amounts were outstanding under the line of credit as of June 30, 2022 and 2021.

(See Independent Auditors' Report)

NOTE 9 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 participants' eligible compensation to the plan for those participants who complete a year of service and work a minimum of 24 hours per week. The Organization contributed $64,904 and $65,865 for the years ended June 30, 2022 and 2021, 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 $4,060 and $4,913 for the years ended June 30, 2022 and 2021, respectively.

NOTE 10 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 0.003% of MHLP. The Organization receives reimbursements for certain expenses and a management fee based on rents collected.

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 were as follows:

	2022	2021
Cash and Cash Equivalents	$ 335,726	$ 426,536
Investments	2,814,585	3,557,656
Receivables	484,378	309,440
Total Financial Assets	3,634,689	4,293,632

(See Independent Auditors' Report)

	2022	2021
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(19,845)	(19,845)
Donor Contributions Restricted to Specific Purposes	(18,521)	(220,000)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year before Board Designations	3,596,323	4,053,787
Board-Designated Operating Reserves	(907,063)	(1,101,018)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year after Board Designations	$ 2,689,260	$ 2,952,769

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.

NOTE 12 SUBSEQUENT EVENTS

The Organization evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through September 28, 2022, the date the consolidated financial statements were available to be issued.

(See Independent Auditors' Report)

Supplementary Information

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Marian House, Inc.

We audited the consolidated financial statements of Marian House, Inc. and Subsidiaries as of and for the year ended June 30, 2022, and our report thereon dated September 28, 2022, 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 23-25 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 related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information was subjected to the auditing procedures applied in the audit of the consolidated financial statements and to 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 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
September 28, 2022

	Marian House, Inc. and BB at MH LLC	Independence Enterprises (IE1)	Independence Enterprises (IE1, IE2, IE3, and Alameda)	MH at the WIE LLC	MH at 111, LLC	Subtotal	Eliminations	Consolidated
ASSETS								
Cash and Cash Equivalents	$ 223,934	$ 29,352	$ 18,713	$ 34,285	$ 29,442	$ 335,726	$ -	$ 335,726
Restricted Cash	40,536	-	-	-	-	40,536	-	40,536
Investments	2,814,585	-	-	-	-	2,814,585	-	2,814,585
Fees Receivable	435,205	-	-	-	-	435,205	-	435,205
Grants Receivable	1,088	-	-	-	-	1,088	-	1,088
Other Receivables	163,243	36,975	13,229	(5,155)	5,896	214,188	(166,103)	48,085
Prepaid Expenses	65,622	-	-	-	5,053	70,675	-	70,675
Other Assets	81,416	30,067	2,406	-	500	114,389	-	114,389
Property and Equipment, Net	2,532,141	4,984,985	2,195,978	789,204	766,262	11,268,570	(426,526)	10,842,044
Total Assets	$ 6,357,770	$ 5,081,379	$ 2,230,326	$ 818,334	$ 807,153	$ 15,294,962	$ (592,629)	$ 14,702,333
LIABILITIES								
Accounts Payable and Accrued Expenses	$ 228,889	$ 66,731	$ 81,477	$ 8,495	$ 13,282	$ 398,874	$ (154,706)	$ 244,168
Deferred Revenue	72,609	-	-	-	-	72,609	-	72,609
Security Deposits and Funds Held for Residents	40,536	9,510	7,756	7,570	6,824	72,196	-	72,196
Long-Term Debt	-	500,501	-	-	491,815	992,316	-	992,316
Total Liabilities	342,034	576,742	89,233	16,065	511,921	1,535,995	(154,706)	1,381,289
NET ASSETS								
Without Donor Restrictions:								
Undesignated Net Assets	4,918,307	4,504,637	2,141,093	802,269	295,232	12,661,538	(437,923)	12,223,615
Board-Designated Net Assets	907,063	-	-	-	-	907,063	-	907,063
	5,825,370	4,504,637	2,141,093	802,269	295,232	13,568,601	(437,923)	13,130,678
With Donor Restrictions	190,366	-	-	-	-	190,366	-	190,366
Total Net Assets	6,015,736	4,504,637	2,141,093	802,269	295,232	13,758,967	(437,923)	13,321,044
Total Liabilities and Net Assets	$ 6,357,770	$ 5,081,379	$ 2,230,326	$ 818,334	$ 807,153	$ 15,294,962	$ (592,629)	$ 14,702,333

(See Independent Auditors' Report on Supplementary Information)

	Marian House, Inc. and BB at MH LLC			Independence Enterprises (IE1)		Independence Enterprises (IE2, IE3, and Alameda)		MH at the WIE LLC		MH at 111, LLC				
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Subtotal	Without Donor Restrictions	Subtotal	Without Donor Restrictions	Subtotal	Without Donor Restrictions	With Donor Restrictions	Subtotal	Eliminations	Consolidated
REVENUE AND SUPPORT														
Contributions and Non-Government Grants	$ 625,571	$ 299,000	$ 924,571	$ -	$ -	$ 100,000	$ 100,000	$ 2,039	$ 2,039	$ -	$ 56,770	$ 56,770	$ (156,770)	$ 926,610
Fees and Grants from Federal Government Sources	1,365,789	-	1,365,789	224,554	224,554	-	-	-	-	-	-	-	-	1,590,343
Fees and Grants from Non-Federal Government Sources	716,748	-	716,748	-	-	-	-	-	-	-	-	-	-	716,748
Management Fees	55,165	-	55,165	-	-	-	-	-	-	-	-	-	(38,405)	16,760
Resident Fees	208,964	-	208,964	81,862	81,862	122,299	122,299	68,527	68,527	73,074	-	73,074	-	554,726
Special Events, Net of Direct Expenses of $71,850	239,854	-	239,854	-	-	-	-	-	-	-	-	-	-	239,854
Other	6,617	-	6,617	17,309	17,309	(557)	(557)	1,726	1,726	1,093	-	1,093	-	26,188
	3,218,708	299,000	3,517,708	323,725	323,725	221,742	221,742	72,292	72,292	74,167	56,770	130,937	(195,175)	4,071,229
Net Assets Released from Restrictions	465,479	(465,479)	-	-	-	-	-	-	-	56,770	(56,770)	-	-	-
Total Revenue and Support	3,684,187	(166,479)	3,517,708	323,725	323,725	221,742	221,742	72,292	72,292	130,937	-	130,937	(195,175)	4,071,229
EXPENSES														
Program	3,064,290	-	3,064,290	441,194	441,194	174,458	174,458	78,115	78,115	51,539	-	51,539	(159,585)	3,650,011
General and Administrative	373,862	-	373,862	64,754	64,754	53,276	53,276	15,731	15,731	34,734	-	34,734	(39,985)	502,372
Fundraising	329,544	-	329,544	-	-	-	-	-	-	-	-	-	-	329,544
Total Expenses	3,767,696	-	3,767,696	505,948	505,948	227,734	227,734	93,846	93,846	86,273	-	86,273	(199,570)	4,481,927
Change in Net Assets before Non-Operating Activities	(83,509)	(166,479)	(249,988)	(182,223)	(182,223)	(5,992)	(5,992)	(21,554)	(21,554)	44,664	-	44,664	4,395	(410,698)
NON-OPERATING ACTIVITIES														
Investment Income, Net of Investment Fees of $26,923	69,492	-	69,492	-	-	-	-	-	-	-	-	-	-	69,492
Net Realized and Unrealized Loss on Investments	(562,567)	-	(562,567)	-	-	-	-	-	-	-	-	-	-	(562,567)
Total Non-Operating Activities	(493,075)	-	(493,075)	-	-	-	-	-	-	-	-	-	-	(493,075)
Change in Net Assets	(576,584)	(166,479)	(743,063)	(182,223)	(182,223)	(5,992)	(5,992)	(21,554)	(21,554)	44,664	-	44,664	4,395	(903,773)
NET ASSETS – BEGINNING OF YEAR	6,401,954	356,845	6,758,799	4,687,043	4,687,043	2,146,902	2,146,902	823,823	823,823	250,568	-	250,568	(442,318)	14,224,817
NET ASSETS – END OF YEAR	$ 5,825,370	$ 190,366	$ 6,015,736	$ 4,504,820	$ 4,504,820	$ 2,140,910	$ 2,140,910	$ 802,269	$ 802,269	$ 295,232	$ -	$ 295,232	$ (437,923)	$ 13,321,044

(See Independent Auditors' Report on Supplementary Information)

Cash and Cash Equivalents	$	29,352
<u>Less: Total Current Obligations:</u>		
Accounts Payable		4,075
Accrued Expenses		62,656
Security Deposit Liability		9,510
Total Current Obligations	$	76,241
Cash Deficit	$	(46,889)

(See Independent Auditors' Report on Supplementary Information)