

**MCCORMICK MEMORIAL HOME FOR
THE AGED, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS.....	7
SUPPLEMENTARY INFORMATION	
FIVE-YEAR COMPARATIVE ANALYSIS OF CHANGE IN NET ASSETS	16
SCHEDULE OF OPERATIONS.....	17
SCHEDULE OF REVENUES AND EXPENSES BY FUNDING SOURCE	18
SUPPLEMENTAL SCHEDULES.....	19
COMPLIANCE REPORTS AND SCHEDULES	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> AND THE <i>DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE</i>.....	20
SCHEDULE OF VENDOR CONTRACTS	22
NOTES TO SCHEDULE OF VENDOR CONTRACTS	23
BROWN COUNTY HUMAN SERVICES – SCHEDULE OF REVENUE AND ALLOWABLE COSTS.....	24
RESERVE SUPPLEMENTARY SCHEDULE FOR MEDICAL ASSISTANCE PROGRAM.....	25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	26
CORRECTIVE ACTION PLAN	28
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	29



INDEPENDENT AUDITORS' REPORT

Board of Directors
McCormick Memorial Home for the Aged, Inc.
Green Bay, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of McCormick Memorial Home for the Aged, Inc. (a Wisconsin corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McCormick Memorial Home for the Aged, Inc. as of June 30, 2018 and 2017, and the changes 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of vendor contracts, as required by the Wisconsin *Department of Health Services Audit Guide*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other accompanying supplementary information listed in the table of contents is also presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of McCormick Memorial Home for the Aged, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of McCormick Memorial Home for the Aged, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McCormick Memorial Home for the Aged, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oshkosh, Wisconsin
September 20, 2018

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash	\$ 29,450	\$ 18,323
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$10,000	31,530	41,173
Investments	1,191,194	1,287,488
Prepaid Expenses	-	18,422
Property and Equipment, Net	4,316,781	4,297,595
Other Assets	3,016	3,823
Beneficial Interests	1,496,470	1,463,673
Total Assets	\$ 7,068,441	\$ 7,130,497
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 35,754	\$ 57,939
Line of Credit	50,000	-
Accrued Expenses	29,290	54,397
Accrued Interest	5,863	4,834
Deferred Revenue	34,670	12,855
Long-Term Debt	1,563,533	1,642,843
Total Liabilities	1,719,110	1,772,868
NET ASSETS		
Unrestricted	3,852,861	3,893,956
Permanently Restricted	1,496,470	1,463,673
Total Net Assets	5,349,331	5,357,629
Total Liabilities and Net Assets	\$ 7,068,441	\$ 7,130,497

See accompanying Notes to Financial Statements.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Room and Board Fees	\$ 1,791,989	\$ -	\$ -	\$ 1,791,989
Sales of Supplies and Services	54,996	-	-	54,996
Contributions	35,974	-	-	35,974
Other Income	33,925	-	-	33,925
Net Assets Released from Restrictions	-	-	-	-
Total Revenues and Support	<u>1,916,884</u>	-	-	<u>1,916,884</u>
EXPENSES				
Salaries and Wages	867,049	-	-	867,049
Personnel Benefits	353,000	-	-	353,000
Other Personnel Expenses	13,367	-	-	13,367
Purchased Services	133,050	-	-	133,050
Residents' Services	174,481	-	-	174,481
Facilities, Buildings, and Grounds	441,677	-	-	441,677
Office	20,462	-	-	20,462
Interest and Related Fees	68,338	-	-	68,338
Other	15,489	-	-	15,489
Total Expenses	<u>2,086,913</u>	-	-	<u>2,086,913</u>
REVENUES AND SUPPORT DEFICIENT OF EXPENSES	(170,029)	-	-	(170,029)
OTHER CHANGES IN NET ASSETS				
Investment Return	74,011	-	-	74,011
Distributions from Beneficial Interests	54,923	-	-	54,923
Change in Beneficial Interests	-	-	32,797	32,797
Total Other Changes in Net Assets	<u>128,934</u>	-	<u>32,797</u>	<u>161,731</u>
CHANGE IN NET ASSETS	(41,095)	-	32,797	(8,298)
Net Assets - Beginning of Year	<u>3,893,956</u>	-	<u>1,463,673</u>	<u>5,357,629</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,852,861</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,496,470</u></u>	<u><u>\$ 5,349,331</u></u>

See accompanying Notes to Financial Statements.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Room and Board Fees	\$ 1,705,051	\$ -	\$ -	\$ 1,705,051
Sales of Supplies and Services	6,768	-	-	6,768
Contributions	51,949	-	-	51,949
Other Income	30,921	-	-	30,921
Net Assets Released from Restrictions	86,802	(86,802)	-	-
Total Revenues and Support	1,881,491	(86,802)	-	1,794,689
EXPENSES				
Salaries and Wages	875,704	-	-	875,704
Personnel Benefits	368,866	-	-	368,866
Other Personnel Expenses	9,126	-	-	9,126
Purchased Services	103,533	-	-	103,533
Residents' Services	165,487	-	-	165,487
Facilities, Buildings, and Grounds	397,899	-	-	397,899
Office	17,203	-	-	17,203
Interest and Related Fees	52,270	-	-	52,270
Other	5,875	-	-	5,875
Total Expenses	1,995,963	-	-	1,995,963
REVENUES AND SUPPORT DEFICIENT OF EXPENSES	(114,472)	(86,802)	-	(201,274)
OTHER CHANGES IN NET ASSETS				
Investment Return	124,982	-	-	124,982
Distributions from Beneficial Interests	59,124	86,802	-	145,926
Change in Beneficial Interests	-	-	14,770	14,770
Total Other Changes in Net Assets	184,106	86,802	14,770	285,678
CHANGE IN NET ASSETS	69,634	-	14,770	84,404
Net Assets - Beginning of Year	3,824,322	-	1,448,903	5,273,225
NET ASSETS - END OF YEAR	\$ 3,893,956	\$ -	\$ 1,463,673	\$ 5,357,629

See accompanying Notes to Financial Statements.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributors	\$ 35,974	\$ 51,949
Cash Received from and on Behalf of Residents	1,912,368	1,748,099
Cash Paid to and on Behalf of Employees	(1,258,523)	(1,249,440)
Cash Paid to Suppliers	(655,033)	(666,949)
Distributions from Beneficial Interests	54,923	145,926
Interest Paid	(67,309)	(51,284)
Net Cash Flows from Operating Activities	<u>22,400</u>	<u>(21,699)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Purchases of Property and Equipment	(152,268)	(32,267)
Proceeds from Sale of Investments	170,305	-
Net Cash Flows Provided (Used) by Investing Activities	<u>18,037</u>	<u>(32,267)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Net Proceeds (Borrowings) from Line of Credit	50,000	-
Principal Payments on Long-Term Debt	(79,310)	(82,368)
Net Cash Flows from Financing Activities	<u>(29,310)</u>	<u>(82,368)</u>
NET CHANGE IN CASH	11,127	(136,334)
Cash - Beginning of Year	<u>18,323</u>	<u>154,657</u>
CASH - END OF YEAR	<u>\$ 29,450</u>	<u>\$ 18,323</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (8,298)	\$ 84,404
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	133,082	136,693
Investment Return	(74,011)	(124,982)
Change in Beneficial Interests	(32,797)	(14,770)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	9,643	6,572
Prepaid Expenses	18,422	(18,422)
Other Assets	807	1,525
Accounts Payable	(22,185)	(96,748)
Accrued Expenses	(25,107)	4,256
Accrued Interest	1,029	986
Deferred Revenue	21,815	(1,213)
Net Cash Flows from Operating Activities	<u>\$ 22,400</u>	<u>\$ (21,699)</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest and Dividends Reinvested Directly Back into Investment Funds	<u>\$ 20,359</u>	<u>\$ 18,134</u>

See accompanying Notes to Financial Statements.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 NATURE OF OPERATIONS

McCormick Memorial Home for the Aged, Inc. (McCormick Home) is a nonprofit corporation organized under the laws of the state of Wisconsin for the purpose of providing residential housing for elderly individuals and retired Catholic priests.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of McCormick Home are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of McCormick Home pursuant to those stipulations. Temporarily restricted net assets relate to funds held for the maintenance of the priests' retirement facility.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by McCormick Home. Permanently restricted net assets consist of the beneficial interests in trusts.

Cash

McCormick Home maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. McCormick Home has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

The majority of McCormick Home's accounts receivable is due from private parties within the Green Bay Diocese region. Accounts receivable are due within 30 days or according to separately stated terms and are stated as amounts due, net of allowance for doubtful accounts. McCormick Home provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The estimate is based on historical collection experience and a review of the current status of the accounts receivable.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains or losses are included in the accompanying statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value at date of the gift, if donated. All acquisitions of property in excess of \$5,000 and equipment in excess of \$1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized.

Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Building and Improvements	15 to 100 Years
Machinery, Equipment, Furniture, and Fixtures	5 to 20 Years
Vehicles	5 Years

Impairment of Long-Lived Assets

McCormick Home reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions that are unrestricted by the donor are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by McCormick Home.

Revenue from government contracts is recognized when allowable and reimbursable expenditures are incurred upon meeting the legal or contractual requirements of the funding source and are included in room and board fees. McCormick Home is the recipient of grants from various funding sources. Expenditures of government contract funds are for the purposes specified by the granting agencies.

Revenue from room and board fees is recognized in the month to which they relate. Amounts received in advance are shown as deferred revenue.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in Note 10 to the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax-Exempt Status

McCormick Home has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) covered by the U.S. Internal Revenue Service group exemption letter of the United States Conference of Catholic Bishops and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

McCormick Home had no unrelated business income for the years ended June 30, 2018 and 2017.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the current year's presentation. These reclassifications had no impact on the previously reported change in net assets.

Subsequent Events

In preparing these financial statements, McCormick Home has evaluated events and transactions for potential recognition or disclosure through September 20, 2018, the date the financial statements were available to be issued.

NOTE 3 NEW ACCOUNTING STANDARDS UPDATE

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by McCormick Home for the year ended June 30, 2019; however, early application is permitted. McCormick Home is currently evaluating the impact this guidance will have on its financial statements.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS

Investments are held by St. Francis Xavier Investment Corp. (St. Francis Xavier Corp.), an interdiocesan entity. St. Francis Xavier Corp. has grouped their investments and created a unitized fixed income fund, equity fund, and money market fund. McCormick Home owns units in the fixed income, equity, and money market funds.

Investments are carried at market and consisted of the following at June 30:

	Fair Value		Redemption Frequency	Termination Notice Period
	2018	2017		
St. Francis Xavier Corp. Fixed Income Fund	\$ 423,275	\$ 444,836	Daily	30 Days
St. Francis Xavier Corp. Equity Fund	647,217	723,490	Daily	30 Days
St. Francis Xavier Corp. Money Market Fund	120,702	119,162	Daily	30 Days
Total	<u>\$ 1,191,194</u>	<u>\$ 1,287,488</u>		

The money market fund is intended to be utilized by intermediate and short-term money.

The fixed income fund is intended to be utilized by intermediate and long-term money. The target allocation of the fixed income fund is:

Intermediate Fixed Income	95 %
Cash	5
Total	<u>100 %</u>

The equity fund is intended to be utilized by long-term money. The participant is not allowed to invest more than 70% of their funds in the equity fund. The target allocation of the equity fund is:

Small-Cap Domestic Stocks	20 %
Mid-Cap Domestic Stocks	20
Large-Cap Domestic Stocks	40
International Stocks	17
Cash and Cash Equivalents	3
Total	<u>100 %</u>

McCormick Home considers money market funds held by St. Francis Xavier Investment Corp. to be investments. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the financial statements.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS (CONTINUED)

Investment return in the accompanying statements of activities for the years ended June 30 consisted of the following:

	2018	2017
Interest and Dividends	\$ 20,359	\$ 18,134
Realized and Unrealized Gain on Investments	53,652	106,848
Total Investment Return	\$ 74,011	\$ 124,982

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2018 and 2017 were \$7,231 and \$7,511, respectively.

NOTE 5 FAIR VALUE MEASUREMENTS

As defined by current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, McCormick Home uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, McCormick Home attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy ranks the quality and reliability of the information used to determine the fair values. Assets measured, reported, and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
St. Francis Xavier Corp. Fixed Income Fund	\$ -	\$ 423,275	\$ -	\$ 423,275
St. Francis Xavier Corp. Equity Fund	-	647,217	-	647,217
St. Francis Xavier Corp. Money Market Fund	-	120,702	-	120,702
Beneficial Interests	-	-	1,496,470	1,496,470
Total Assets	<u>\$ -</u>	<u>\$ 1,191,194</u>	<u>\$ 1,496,470</u>	<u>\$ 2,687,664</u>

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
St. Francis Xavier Corp. Fixed Income Fund	\$ -	\$ 444,836	\$ -	\$ 444,836
St. Francis Xavier Corp. Equity Fund	-	723,490	-	723,490
St. Francis Xavier Corp. Money Market Fund	-	119,162	-	119,162
Beneficial Interests	-	-	1,463,673	1,463,673
Total Assets	<u>\$ -</u>	<u>\$ 1,287,488</u>	<u>\$ 1,463,673</u>	<u>\$ 2,751,161</u>

The fair value of the investment in the fixed income fund, the equity fund, and the money market fund has been estimated using the net asset value per share of the fund as determined by the fund administrator. The fair value of the beneficial interests is the value of the trusts as provided by the trustee. The beneficial interests are classified as Level 3 as the valuation is not corroborated by market data. The unobservable inputs are the underlying assets at the trustee and its investment policy. The trustee does not have any restrictions on redemption frequency or a required redemption notice period.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	<u>Beneficial Interests</u>
Balance - June 30, 2016	\$ 1,448,903
Net Realized and Unrealized Gains Included in Change in Net Assets	<u>14,770</u>
Balance - June 30, 2017	1,463,673
Net Realized and Unrealized Gains Included in Change in Net Assets	<u>32,797</u>
Balance - June 30, 2018	<u>\$ 1,496,470</u>

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Land	\$ 40,500	\$ 40,500
Buildings and Improvements	6,739,478	6,613,317
Machinery, Equipment, Furniture, and Fixtures	719,953	693,844
Vehicles	29,051	29,051
Total, at Cost	<u>7,528,982</u>	<u>7,376,712</u>
Less: Accumulated Depreciation	<u>(3,212,201)</u>	<u>(3,079,117)</u>
Net Property and Equipment	<u>\$ 4,316,781</u>	<u>\$ 4,297,595</u>

NOTE 7 BENEFICIAL INTERESTS

McCormick Home is a 7% beneficiary in a trust which was established by a will effective May 1987. The trust corpus is held by an independent trustee in perpetuity with the net income of the trust to be distributed annually by the trustee to the trust beneficiaries. At June 30, 2018 and 2017, the fair value of McCormick Home's 7% share was \$1,239,267 and \$1,224,030, respectively. For the years ended June 30, 2018 and 2017, the trust income distributions were \$54,923 and \$59,124, respectively, and the gain on perpetual trust assets was \$15,237 and \$73,627, respectively.

A portion of the beneficial interests includes funds held in trust by the Catholic Foundation for the Diocese of Green Bay, Inc. for the benefit of McCormick Home. The gift was made during the year ended June 30, 2006. Distributions from earnings are to be used for the retired priests' facility. At June 30, 2018 and 2017, the fair value of the beneficial interest was \$257,203 and \$239,643, respectively. For the years ended June 30, 2018 and 2017, distributions were \$-0- and \$86,802, respectively, and the increase (decrease) in value was \$17,560 and \$(58,857), respectively.

Beneficial interests are carried at fair value and adjusted with increases or decreases in fair value. These adjustments are recorded as changes in permanently restricted net assets. The distributions are included in other changes in net assets on the accompanying statements of activities.

NOTE 8 DEBT

Long-Term Debt

McCormick Home has a note payable with Associated Bank that is secured by real estate and bears interest at the current LIBOR rate plus 2.50% (effectively 4.50% at June 30, 2018). Interest and principal payments of \$11,633 are payable monthly, and a final balloon payment is due in June of 2022. The balance of the note payable was \$1,563,533 and \$1,642,843 at June 30, 2018 and 2017, respectively.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 DEBT (CONTINUED)

Long-Term Debt (Continued)

Annual principal maturities of the outstanding long-term debt are as follows for the years ending June 30:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 70,683
2020	73,930
2021	77,327
2022	1,341,593
Total	<u><u>\$ 1,563,533</u></u>

Line of Credit

McCormick has a Line of Credit agreement with Associated Bank for \$300,000, which bears interest at the LIBOR rate plus 2.25% (effectively 4.25% at June 30, 2018). The line of credit expires on October 23, 2018 and is secured by a general business security agreement. The balance outstanding on this note was \$50,000 and \$-0- at June 30, 2018 and 2017, respectively.

NOTE 9 RETIREMENT PLAN

McCormick Home participates in the Catholic Diocese of Green Bay Employees' Retirement Plan. The defined contribution retirement plan covers most lay employees. The vesting period of the plan is six months. Contributions are 9% of an employee's wages and are made each pay period. Retirement plan expense for the years ended June 30, 2018 and 2017 was \$74,629 and \$72,633, respectively.

NOTE 10 FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of providing program and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Expenses by function for the years ended June 30, were as follows:

	<u>2018</u>	<u>2017</u>
Program Services	\$ 1,753,885	\$ 1,668,108
Management and General	333,028	327,855
Total	<u><u>\$ 2,086,913</u></u>	<u><u>\$ 1,995,963</u></u>

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 INTERDIOCESAN TRANSACTIONS

McCormick Home was a party to various transactions with other diocesan corporations during the years ended June 30, 2018 and 2017. Total revenues and support from other diocesan corporations were \$-0- and \$86,802 for the years ended June 30, 2018 and 2017, respectively, and relate to distributions from a beneficial interest and room and board revenue. Total expenses paid to other diocesan corporations were \$218,730 and \$240,450 for the years ended June 30, 2018 and 2017, respectively, and relates to administrative and support services.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
FIVE-YEAR COMPARATIVE ANALYSIS OF CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2018 THROUGH 2014

	2018	2017	2016	2015	2014
REVENUES AND SUPPORT					
Room and Board Fees	\$ 1,791,989	\$ 1,705,051	\$ 1,815,224	\$ 1,689,941	\$ 1,302,027
Sales of Supplies and Services	54,996	6,768	9,612	14,789	22,951
Contributions	35,974	51,949	42,812	60,193	2,600
Rental Income	-	-	-	4,950	9,900
Other Income	33,925	30,921	33,171	31,488	23,604
Total Revenues and Support	<u>1,916,884</u>	<u>1,794,689</u>	<u>1,900,819</u>	<u>1,801,361</u>	<u>1,361,082</u>
EXPENSES					
Salaries and Wages	867,049	875,704	845,696	750,289	652,398
Personnel Benefits	353,000	368,866	344,159	295,829	253,301
Other Personnel Expenses	13,367	9,126	13,811	12,281	11,586
Purchased Services	133,050	103,533	104,810	120,213	107,662
Residents' Services	174,481	165,487	173,178	169,682	129,904
Facilities, Buildings, and Grounds	441,677	397,899	393,794	390,320	397,915
Office	20,462	17,203	19,653	19,634	18,738
Interest and Related Fees	68,338	52,270	47,894	50,606	57,933
Rental	-	-	1,805	7,571	6,944
Other	15,489	5,875	912	14,860	503
Total Expenses	<u>2,086,913</u>	<u>1,995,963</u>	<u>1,945,712</u>	<u>1,831,285</u>	<u>1,636,884</u>
REVENUES AND SUPPORT					
DEFICIENT OF EXPENSES	(170,029)	(201,274)	(44,893)	(29,924)	(275,802)
OTHER CHANGES IN NET ASSETS					
Investment Return	74,011	124,982	(20,758)	28,475	157,086
Gain on Sale of Real Estate	-	-	17,559	-	-
Distributions from Beneficial Interests	54,923	145,926	74,784	69,575	32,403
Change in Beneficial Interests	32,797	14,770	(121,366)	(49,735)	159,084
Total Other Changes in Net Assets	<u>161,731</u>	<u>285,678</u>	<u>(49,781)</u>	<u>48,315</u>	<u>348,573</u>
CHANGE IN NET ASSETS					
	<u>\$ (8,298)</u>	<u>\$ 84,404</u>	<u>\$ (94,674)</u>	<u>\$ 18,391</u>	<u>\$ 72,771</u>

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2018

	<u>Residents'</u> <u>Facility</u>	<u>Priests'</u> <u>Retirement</u> <u>Facility</u>	<u>Total</u>
REVENUES AND SUPPORT			
Room and Board Fees	\$ 1,646,587	\$ 145,402	\$ 1,791,989
Sales of Supplies and Services	6,418	48,578	54,996
Contributions	35,974	-	35,974
Other Income	33,805	120	33,925
Total Revenues and Support	<u>1,722,784</u>	<u>194,100</u>	<u>1,916,884</u>
EXPENSES			
Salaries and Wages	780,174	86,875	867,049
Personnel Benefits	323,646	29,354	353,000
Other Personnel Expenses	13,367	-	13,367
Purchased Services	129,623	3,427	133,050
Residents' Services	161,983	12,498	174,481
Facilities, Buildings, and Grounds	358,813	82,864	441,677
Office	20,462	-	20,462
Interest and Related Fees	68,338	-	68,338
Other	9,744	5,745	15,489
Total Expenses	<u>1,866,150</u>	<u>220,763</u>	<u>2,086,913</u>
REVENUES AND SUPPORT DEFICIENT OF EXPENSES	(143,366)	(26,663)	(170,029)
OTHER CHANGES IN NET ASSETS			
Investment Return	74,011	-	74,011
Distributions from Beneficial Interests	54,923	-	54,923
Change in Beneficial Interests	15,237	17,560	32,797
Total Other Changes in Net Assets	<u>144,171</u>	<u>17,560</u>	<u>161,731</u>
CHANGE IN NET ASSETS	<u>\$ 805</u>	<u>\$ (9,103)</u>	<u>\$ (8,298)</u>

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SCHEDULE OF REVENUES AND EXPENSES BY FUNDING SOURCE
YEAR ENDED JUNE 30, 2018

	Brown County	Care Wisconsin	Lakeland Care, Inc.	Private Pay	Total
REVENUES AND SUPPORT					
Room and Board Fees	\$ 25,192	\$ 197,459	\$ 54,647	\$ 1,514,691	\$ 1,791,989
Sales of Supplies and Services	-	-	-	54,996	54,996
Contributions	-	-	-	35,974	35,974
Other Income	-	-	-	33,925	33,925
Total Revenues and Support	<u>25,192</u>	<u>197,459</u>	<u>54,647</u>	<u>1,639,586</u>	<u>1,916,884</u>
EXPENSES					
Salaries and Wages	18,004	136,041	45,133	667,871	867,049
Personnel Benefits	7,330	55,386	18,375	271,909	353,000
Other Personnel Expenses	278	2,097	696	10,296	13,367
Purchased Services	1,255	9,480	3,145	119,170	133,050
Residents' Services	3,623	27,376	9,082	134,400	174,481
Facilities, Buildings, and Grounds	9,171	69,299	22,991	340,216	441,677
Office	425	3,211	1,065	15,761	20,462
Interest and Related Fees	1,419	10,723	3,557	52,639	68,338
Other	322	2,430	806	11,931	15,489
Total Expenses	<u>41,827</u>	<u>316,043</u>	<u>104,850</u>	<u>1,624,193</u>	<u>2,086,913</u>
REVENUES AND SUPPORT IN EXCESS (DEFICIENT) OF EXPENSES					
	(16,635)	(118,584)	(50,203)	15,393	(170,029)
OTHER CHANGES IN NET ASSETS					
Investment Return	-	-	-	74,011	74,011
Distributions from Beneficial Interests	-	-	-	54,923	54,923
Change in Beneficial Interests	-	-	-	32,797	32,797
Total Other Changes in Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,731</u>	<u>161,731</u>
CHANGE IN NET ASSETS					
	<u>\$ (16,635)</u>	<u>\$ (118,584)</u>	<u>\$ (50,203)</u>	<u>\$ 177,124</u>	<u>\$ (8,298)</u>

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SUPPLEMENTAL SCHEDULES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
PERSONNEL BENEFITS		
Payroll Taxes	\$ 63,918	\$ 62,386
Unemployment Compensation	5,240	5,183
Workers' Compensation	27,716	31,357
Health Insurance	167,707	185,121
Retirement Plan Contributions	74,629	72,633
Other Benefits	13,790	12,186
Total Personnel Benefits	\$ 353,000	\$ 368,866

RESIDENTS' SERVICES		
Food	\$ 101,297	\$ 95,856
Housekeeping and Kitchen Supplies	22,432	19,981
Medical Supplies	10,250	5,551
Events and Activities	27,536	32,682
Television	12,966	11,417
Total Residents' Services	\$ 174,481	\$ 165,487

FACILITIES, BUILDINGS, AND GROUNDS		
Utilities	\$ 145,135	\$ 160,071
Building Maintenance	32,025	23,365
Grounds Maintenance	14,544	2,683
Building Supplies	840	1,648
Small Equipment and Repairs	82,871	39,344
Service Contracts	28,049	32,388
Depreciation	133,082	136,693
Vehicle Repairs and Supplies	5,131	1,707
Total Facilities, Buildings, and Grounds	\$ 441,677	\$ 397,899

	Residents' Facility	Priests' Retirement Facility	Total
PROPERTY AND EQUIPMENT			
Land	\$ 40,500	\$ -	\$ 40,500
Buildings and Improvements	5,231,451	1,508,027	6,739,478
Machinery, Equipment, Furniture, and Fixtures	693,603	26,350	719,953
Vehicles	29,051	-	29,051
Accumulated Depreciation	(2,841,915)	(370,286)	(3,212,201)
Total Property and Equipment	\$ 3,152,690	\$ 1,164,091	\$ 4,316,781



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE

Board of Directors
McCormick Memorial Home for the Aged, Inc.
Green Bay, Wisconsin

We have audited, in accordance with the 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, and the Wisconsin *Department of Health Services Audit Guide*, the financial statements of McCormick Memorial Home for the Aged, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McCormick Memorial Home for the Aged, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McCormick Memorial Home for the Aged, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of McCormick Memorial Home for the Aged, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-1 that we consider to be a significant deficiency.

Compliance and Other Matters

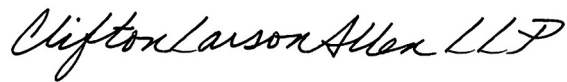
As part of obtaining reasonable assurance about whether McCormick Memorial Home for the Aged, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Department of Health Services Audit Guide*.

McCormick Memorial Home for the Aged, Inc.'s Response to Findings

McCormick Memorial Home for the Aged, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. McCormick Memorial Home for the Aged, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of McCormick Memorial Home for the Aged, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *Department of Health Services Audit Guide* in considering McCormick Memorial Home for the Aged, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Oshkosh, Wisconsin
September 20, 2018

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SCHEDULE OF VENDOR CONTRACTS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Programs Expenditures	Federal CFDA Number	Amount
<u>U.S. Department of Health and Human Services</u>		
Passed through Brown County Human Services Department:		
AODA Block Grant	93.959	\$ 24,575
Passed through Care Wisconsin Medical Assistance	93.778	115,836
Passed through Lakeland Care, Inc.: Medical Assistance	93.778	<u>31,974</u>
Total Federal Assistance		<u><u>\$ 172,385</u></u>
State Grantor/Program Expenditures	State Program Number	Amount
<u>Wisconsin Department of Health Services</u>		
Passed through Brown County Human Services:		
County Levy	*	\$ 617
Passed through Care Wisconsin:		
Family Care	*	81,623
Passed through Lakeland Care, Inc.:		
Family Care	*	<u>22,673</u>
Total State Assistance		<u>104,913</u>
Total Federal and State Assistance		<u><u>\$ 277,298</u></u>

* CFDA and/or State ID number was not provided by the county or organization.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO SCHEDULE OF VENDOR CONTRACTS
YEAR ENDED JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of vendor contracts includes the Federal and State grant activity of McCormick Memorial Home for the Aged, Inc. under programs of the federal and state governments for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Wisconsin *Department of Health Services Audit Guide*. Because the schedule presents only a selected portion of the operations of McCormick Memorial Home for the Aged, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of McCormick Memorial Home for the Aged, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where applicable.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
 BROWN COUNTY HUMAN SERVICES DEPARTMENT
 SCHEDULE OF REVENUE AND ALLOWABLE COSTS
 CONTRACT PERIODS JANUARY 1 TO DECEMBER 31, 2017
 AND JANUARY 1 TO JUNE 30, 2018**

	Contract Period <u>1/1-12/31/17</u>	Contract Period <u>1/1-6/30/18</u>	<u>Total</u>
REVENUE			
Room and Board Fees	\$ 23,334	\$ 11,507	\$ 34,841
ALLOWABLE COSTS			
Salaries and Wages	16,072	6,620	22,692
Personnel Benefits	6,837	2,687	9,524
Supplies:			
Office Expense	265	114	379
Program Supplies	20	8	28
Telephone	127	55	182
Insurance	211	94	305
Indirect Costs:			
Audit	460	195	655
Purchased Services	1,145	604	1,749
Residents' Services	2,946	1,428	4,374
Facilities, Buildings, and Grounds	7,599	3,830	11,429
Total Allowable Costs	<u>35,682</u>	<u>15,635</u>	<u>51,317</u>
ALLOWABLE COSTS IN EXCESS OF REVENUE	<u>\$ (12,348)</u>	<u>\$ (4,128)</u>	<u>\$ (16,476)</u>

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
RESERVE SUPPLEMENTARY SCHEDULE FOR MEDICAL ASSISTANCE PROGRAM
JUNE 30, 2018**

1. Total units of service	NA
2. Allowable expenses	\$ 35,682
3. Total payments and revenue	23,334
4. Excess payments and revenue over expenses (line 3 less line 2)	-
5. Total reserve from all prior periods (not including this period)	-
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue from purchaser (6b)	Purchaser's share of total revenue (6c)	First Test				Second Test					Total amount due to purchaser (6m)
			Purchaser's share of excess revenue (defic.) (6d)	Cap on reserve for first test (6e)	Amount to add to reserve for this period (6f)	Amount due to purchaser from first test (6g)	Purchaser's share of reserve from prior periods (6h)	Purchaser's share of reserve from all periods (6i)	Cap on reserve for second test (6j)	Amount of reserve (6k)	Amount due to purchaser from second test (6l)	
Brown County	\$ 23,334	100.00%	\$ -	\$ 1,167	\$ -	\$ -	\$ -	\$ -	\$ 1,167	\$ -	\$ -	\$ -

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued? Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weaknesses? Yes

Noncompliance material to the financial statements noted? No

Vendor Contracts

Any audit findings disclosed that are required to be reported in accordance with *Department of Health Services Audit Guide*? No

Identification of major Wisconsin Department of Health Services programs:

CFDA/State ID Numbers	Name of Program
N/A	N/A

Dollar threshold used to select major programs: \$250,000

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 2018-1 - Segregation of Duties

Criterion or specific requirement:

An organization should segregate responsibilities over the authorization, custody, record keeping, and reconciliation responsibilities.

Condition:

Due to limitations over staffing levels, McCormick Home does not have adequate segregation of duties over certain cash and payroll related activities.

Effect:

As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

Cause:

The McCormick Home operates its accounting and reporting function with principally one individual handling all cash and payroll related activities.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Recommendation:

When this condition exists, management's close supervision and review of financial information is the best means of preventing or detecting errors and irregularities.

Response:

We agree and will continue to monitor monthly financial results and obtain explanations of variances from budget and prior year results and work to further segregate duties where economically feasible. It should also be noted that a financial systems consultant from St. Therese of the Little Flower, Inc. functions in a review capacity to mitigate some of the risks that result from this deficiency. In addition, McCormick Home has contracted with an accounting services firm to provide additional assistance with bookkeeping functions, further reducing the risk levels.

SECTION III - DHS AUDIT GUIDE FINDINGS

None reported

SECTION IV - OTHER ISSUES

- | | |
|---|----|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness(es), significant deficiency(ies), management letter comments, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the Provider Agency Audit Guide:

Department of Health Services | No |
| 3. Was a management letter or other document conveying audit comments issued as a result of this audit? | No |

- | | |
|---|---------------------------|
| 4. Name and signature of Partner-in-Charge: | <u>Dale R. Hill</u> |
| 5. Date of report: | <u>September 20, 2018</u> |

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018**

Finding No. 2018-1 - Segregation of Duties

We agree and will continue to monitor monthly financial results and obtain explanations of variances from budget and prior year results and work to further segregate duties where economically feasible. It should also be noted that a financial systems consultant from St. Therese of the Little Flower, Inc. functions in a review capacity to mitigate some of the risks that result from this deficiency. In addition, McCormick Home has contracted with an accounting services firm to provide additional assistance with bookkeeping functions, further reducing the risk levels.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2018

Finding No. 2017-1 - Segregation of Duties

McCormick Home's management continues to monitor monthly financial results and obtain explanations of variances from prior year results. Management is aware of this situation and will segregate accounting duties where possible. This finding is repeated as Finding 2018-1 in the current year.