

**MCCORMICK MEMORIAL HOME  
FOR THE AGED, INC.  
Green Bay, Wisconsin**

**FINANCIAL STATEMENTS  
June 30, 2015 and 2014**

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## 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, 2015 and 2014, 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 audit 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, 2015 and 2014, 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 federal and state awards, 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 October 2, 2015, 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 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 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  
October 2, 2015

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

**ASSETS**

	<b>2015</b>	<b>2014</b>
Cash	\$ 134,525	\$ 51,871
Accounts receivable, net of allowance for doubtful accounts of \$10,000 and \$-0-, respectively	42,373	33,243
Investments	1,183,264	1,204,789
Property and equipment, net	4,482,907	4,615,573
Loan costs, net	3,222	4,945
Beneficial interests	1,570,269	1,620,004
<b>TOTAL ASSETS</b>	<b>\$ 7,416,560</b>	<b>\$ 7,530,425</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 39,893	\$ 49,136
Accrued expenses	74,008	59,391
Accrued interest	3,833	4,102
Deferred revenue	47,926	18,515
Long-term debt	1,883,001	2,049,773
Total liabilities	2,048,661	2,180,917

**NET ASSETS**

Unrestricted	3,797,630	3,729,504
Permanently restricted	1,570,269	1,620,004
Total net assets	5,367,899	5,349,508

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,416,560</b>	<b>\$ 7,530,425</b>
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The accompanying notes are an integral part of the financial statements.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>				
Room and board fees	\$ 1,689,941	\$ -	\$ -	\$ 1,689,941
Sales of supplies and services	14,789	-	-	14,789
Contributions	60,193	-	-	60,193
Rental income	4,950	-	-	4,950
Other income	31,488	-	-	31,488
Net assets released from restrictions	16,582	(16,582)	-	-
Total revenues and support	<u>1,817,943</u>	<u>(16,582)</u>	<u>-</u>	<u>1,801,361</u>
<b>EXPENSES</b>				
Salaries and wages	750,289	-	-	750,289
Personnel benefits	295,829	-	-	295,829
Other personnel expenses	12,281	-	-	12,281
Purchased services	120,213	-	-	120,213
Residents' services	169,682	-	-	169,682
Facilities, buildings, and grounds	390,320	-	-	390,320
Office	19,634	-	-	19,634
Interest and related fees	48,883	-	-	48,883
Rental	7,571	-	-	7,571
Loan cost amortization	1,723	-	-	1,723
Other	14,860	-	-	14,860
Total expenses	<u>1,831,285</u>	<u>-</u>	<u>-</u>	<u>1,831,285</u>
Revenues and support deficient of expenses	<u>(13,342)</u>	<u>(16,582)</u>	<u>-</u>	<u>(29,924)</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Investment return	28,475	-	-	28,475
Distributions from beneficial interests	52,993	16,582	-	69,575
Change in beneficial interests	-	-	(49,735)	(49,735)
Total other changes in net assets	<u>81,468</u>	<u>16,582</u>	<u>(49,735)</u>	<u>48,315</u>
<b>CHANGE IN NET ASSETS</b>	68,126	-	(49,735)	18,391
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>3,729,504</u>	<u>-</u>	<u>1,620,004</u>	<u>5,349,508</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,797,630</u>	<u>\$ -</u>	<u>\$ 1,570,269</u>	<u>\$ 5,367,899</u>

The accompanying notes are an integral part of the financial statements.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>				
Room and board fees	\$ 1,302,027	\$ -	\$ -	\$ 1,302,027
Sales of supplies and services	22,951	-	-	22,951
Contributions	2,600	-	-	2,600
Rental income	9,900	-	-	9,900
Other income	23,604	-	-	23,604
Net assets released from restrictions	16,945	(16,945)	-	-
Total revenues and support	<u>1,378,027</u>	<u>(16,945)</u>	<u>-</u>	<u>1,361,082</u>
<b>EXPENSES</b>				
Salaries and wages	652,398	-	-	652,398
Personnel benefits	253,301	-	-	253,301
Other personnel expenses	11,586	-	-	11,586
Purchased services	107,662	-	-	107,662
Residents' services	129,904	-	-	129,904
Facilities, buildings, and grounds	397,915	-	-	397,915
Office	18,738	-	-	18,738
Interest and related fees	56,210	-	-	56,210
Rental	6,944	-	-	6,944
Loan cost amortization	1,723	-	-	1,723
Other	503	-	-	503
Total expenses	<u>1,636,884</u>	<u>-</u>	<u>-</u>	<u>1,636,884</u>
Revenues and support deficient of expenses	<u>(258,857)</u>	<u>(16,945)</u>	<u>-</u>	<u>(275,802)</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Investment return	157,086	-	-	157,086
Distributions from beneficial interests	15,458	16,945	-	32,403
Change in beneficial interests	-	-	159,084	159,084
Total other changes in net assets	<u>172,544</u>	<u>16,945</u>	<u>159,084</u>	<u>348,573</u>
<b>CHANGE IN NET ASSETS</b>	(86,313)	-	159,084	72,771
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>3,815,817</u>	<u>-</u>	<u>1,460,920</u>	<u>5,276,737</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,729,504</u>	<u>\$ -</u>	<u>\$ 1,620,004</u>	<u>\$ 5,349,508</u>

The accompanying notes are an integral part of the financial statements.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**STATEMENTS OF CASH FLOWS**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors	\$ 60,193	\$ 2,600
Cash received from and on behalf of residents	1,761,449	1,361,650
Cash paid to and on behalf of employees	(1,043,782)	(916,931)
Cash paid to suppliers	(586,685)	(521,418)
Distributions from beneficial interests	69,575	32,403
Interest paid	(49,152)	(52,108)
Net cash flows from operating activities	<u>211,598</u>	<u>(93,804)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchases of property and equipment	(12,172)	(110,849)
Proceeds from sale of investments	50,000	265,001
Net cash flows from investing activities	<u>37,828</u>	<u>154,152</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt and related loan costs	(166,772)	(89,484)
<b>NET CHANGE IN CASH</b>	82,654	(29,136)
<b>CASH - BEGINNING OF YEAR</b>	<u>51,871</u>	<u>81,007</u>
<b>CASH - END OF YEAR</b>	<u>\$ 134,525</u>	<u>\$ 51,871</u>

The accompanying notes are an integral part of the financial statements.



**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 18,391	\$ 72,771
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	144,838	139,167
Amortization of loan costs	1,723	1,724
Bad debts	13,350	-
Investment return	(28,475)	(157,086)
Change in beneficial interests	49,735	(159,084)
Changes in certain assets and liabilities:		
Accounts receivable	(22,480)	758
Accounts payable	(9,243)	1,080
Accrued expenses	14,617	354
Accrued interest	(269)	4,102
Deferred revenue	29,411	2,410
	<u>\$ 211,598</u>	<u>\$ (93,804)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Interest and dividends reinvested directly back into investment funds	\$ 20,252	\$ 18,701

The accompanying notes are an integral part of the financial statements.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 1 - NATURE OF OPERATIONS**

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McCormick Memorial Home for the Aged, Inc. (McCormick Home) is a not-for-profit corporation organized under the laws of the state of Wisconsin for the purpose of providing residential housing for elderly individuals and retired Catholic priests.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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*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 are 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, 2015 and 2014**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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*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.

	<u>Years</u>
Building and improvements	15 - 100
Machinery, equipment, furniture, and fixtures	5 - 20
Vehicles	5

*Impairment of Long-Lived Assets*

McCormick Home reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less cost to sell.

*Loan Costs*

Loan costs incurred in obtaining financing are amortized over the life of the related long-term debt.

*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.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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*Revenue Recognition (Continued)*

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 a grant from Brown County. Expenditures of government contract funds are for the purposes specified by the granting agency.

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

*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 9 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, 2015 and 2014. McCormick Home files tax returns in the U.S. federal jurisdiction and one state.

*Subsequent Events*

In preparing these financial statements, McCormick Home has evaluated events and transactions for potential recognition or disclosure through October 2, 2015, the date the financial statements were available to be issued.

*Reclassifications*

Certain expenses presented on the 2014 statement of activities have been reclassified to conform to the current year's presentation. These reclassifications had no impact on the previously reported change in net assets.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 3 - INVESTMENTS**

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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
	<u>2015</u>	<u>2014</u>		
St. Francis Xavier Corp. fixed income fund	\$ 414,168	\$ 411,254	Daily	30 days
St. Francis Xavier Corp. equity fund	658,058	772,450	Daily	30 days
St. Francis Xavier Corp. money market fund	<u>111,038</u>	<u>21,085</u>	Daily	30 days
	<u>\$ 1,183,264</u>	<u>\$ 1,204,789</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	<u>5</u>
	<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	<u>3</u>
	<u>100 %</u>

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 3 - INVESTMENTS (CONTINUED)**

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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.

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

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 20,252	\$ 18,701
Realized and unrealized gain on investments	<u>8,223</u>	<u>138,385</u>
Total investment return	<u>\$ 28,475</u>	<u>\$ 157,086</u>

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2015 and 2014 were \$7,230 and \$8,334, respectively.

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**NOTE 4 - FAIR VALUE MEASUREMENTS**

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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. Based on the observability of the inputs used in the valuation methods, McCormick Home is required to provide the following information according to the fair value hierarchy. 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, 2015 and 2014**

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**NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**

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

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
St. Francis Xavier Corp. fixed income fund	\$ -	\$ 414,168	\$ -	\$ 414,168
St. Francis Xavier Corp. equity fund	-	658,058	-	658,058
St. Francis Xavier Corp. money market fund	-	111,038	-	111,038
Beneficial interests	-	-	1,570,269	1,570,269
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,183,264</b>	<b>\$ 1,570,269</b>	<b>\$ 2,753,533</b>

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
St. Francis Xavier Corp. fixed income fund	\$ -	\$ 411,254	\$ -	\$ 411,254
St. Francis Xavier Corp. equity fund	-	772,450	-	772,450
St. Francis Xavier Corp. money market fund	-	21,085	-	21,085
Beneficial interests	-	-	1,620,004	1,620,004
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,204,789</b>	<b>\$ 1,620,004</b>	<b>\$ 2,824,793</b>

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.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**

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

	Beneficial Interests
Balances, June 30, 2013	\$ 1,460,920
Net gains (realized and unrealized) included in: Change in net assets	159,084
Balances, June 30, 2014	1,620,004
Net losses (realized and unrealized) included in: Change in net assets	(49,735)
Balances, June 30, 2015	\$ 1,570,269

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**NOTE 5 - PROPERTY AND EQUIPMENT**

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Property and equipment consisted of the following at June 30:

	2015	2014
Land	\$ 40,500	\$ 40,500
Buildings and improvements	6,585,736	6,582,137
Machinery, equipment, furniture, and fixtures	669,777	661,204
Vehicles	26,451	26,451
Total - at cost	7,322,464	7,310,292
Less accumulated depreciation	(2,839,557)	(2,694,719)
Net property and equipment	\$ 4,482,907	\$ 4,615,573



**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 6 - BENEFICIAL INTERESTS**

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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, 2015 and 2014, the fair value of McCormick Home's 7% share was \$1,247,938 and \$1,286,790, respectively. For the years ended June 30, 2015 and 2014, the trust income distributions were \$52,993 and \$15,458, respectively, and the gain (loss) on perpetual trust assets was \$(38,852) and \$131,331, 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, 2015 and 2014, the fair value of the beneficial interest was \$322,331 and \$333,214, respectively. For the years ended June 30, 2015 and 2014, distributions were \$16,582 and \$16,945, respectively, and the increase (decrease) in value was \$(10,883) and \$27,753, 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.

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**NOTE 7 - LONG-TERM DEBT**

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McCormick Home has a note payable with Associated Bank that is secured by real estate and bears interest at the current LIBOR rate plus 2.25% (effectively 2.44% and 2.40% at June 30, 2015 and 2014, respectively). Interest and principal payments of \$11,760 are payable monthly, and a final balloon payment is due in May of 2017. The balance of the note payable was \$1,883,001 and \$2,049,773 at June 30, 2015 and 2014, respectively. Interest expense for the years ended June 30, 2015 and 2014 was \$48,883 and \$55,658, respectively.

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

2016	\$ 96,243
2017	<u>1,786,758</u>
	<u>\$ 1,883,001</u>

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**NOTE 8 - RETIREMENT PLAN**

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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, 2015 and 2014 was \$61,154 and \$53,554, respectively.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 9 - FUNCTIONAL CLASSIFICATION OF EXPENSES**

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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>2015</u>	<u>2014</u>
Program services	\$ 1,514,452	\$ 1,343,342
Management and general	<u>316,833</u>	<u>293,542</u>
Total	<u>\$ 1,831,285</u>	<u>\$ 1,636,884</u>

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**NOTE 10 - INTERDIOCESAN TRANSACTIONS**

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McCormick Home was a party to various transactions with other diocesan corporations during the years ended June 30, 2015 and 2014. Total revenues and support from other diocesan corporations were \$16,582 and \$16,945 for the years ended June 30, 2015 and 2014, respectively, and relate to distributions from a beneficial interest and room and board revenue. Total expenses paid to other diocesan corporations were \$218,237 and \$207,352 for the years ended June 30, 2015 and 2014, respectively, and relates to administrative and support services.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION**

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**FIVE-YEAR COMPARATIVE ANALYSIS OF CHANGE IN NET ASSETS**  
**Years Ended June 30, 2015 through 2011**

	2015	2014	2013	2012	2011
<b>REVENUES AND SUPPORT</b>					
Room and board fees	\$ 1,689,941	\$ 1,302,027	\$ 1,176,208	\$ 1,244,801	\$ 1,235,449
Sales of supplies and services	14,789	22,951	21,931	13,843	11,372
Contributions	60,193	2,600	210,850	2,264	775
Rental income	4,950	9,900	9,900	9,950	9,950
Other income	31,488	23,604	39,779	24,301	25,466
Total revenues and support	<u>1,801,361</u>	<u>1,361,082</u>	<u>1,458,668</u>	<u>1,295,159</u>	<u>1,283,012</u>
<b>EXPENSES</b>					
Salaries and wages	750,289	652,398	628,519	615,220	569,124
Personnel benefits	295,829	253,301	270,574	268,434	259,236
Other personnel expenses	12,281	11,586	11,329	9,842	15,254
Purchased services	120,213	107,662	92,756	95,741	90,973
Residents' services	169,682	129,904	121,805	126,685	123,226
Facilities, buildings, and grounds	390,320	397,915	314,870	334,315	351,550
Office	19,634	18,738	15,622	17,088	19,186
Interest and related fees	48,883	56,210	50,614	111,786	102,267
Rental	7,571	6,944	6,184	6,151	6,178
Loan cost amortization	1,723	1,723	1,816	57,987	3,322
Other	14,860	503	4,444	9,504	-
Total expenses	<u>1,831,285</u>	<u>1,636,884</u>	<u>1,518,533</u>	<u>1,652,753</u>	<u>1,540,316</u>
Revenues and support deficient of expenses	<u>(29,924)</u>	<u>(275,802)</u>	<u>(59,865)</u>	<u>(357,594)</u>	<u>(257,304)</u>
<b>OTHER CHANGES IN NET ASSETS</b>					
Investment return	28,475	157,086	144,804	(20,711)	259,901
Distributions from beneficial interests	69,575	32,403	52,707	36,486	34,351
Change in beneficial interests	(49,735)	159,084	71,396	(56,177)	163,054
Total other changes in net assets	<u>48,315</u>	<u>348,573</u>	<u>268,907</u>	<u>(40,402)</u>	<u>457,306</u>
<b>CHANGE IN NET ASSETS</b>	<u><u>\$ 18,391</u></u>	<u><u>\$ 72,771</u></u>	<u><u>\$ 209,042</u></u>	<u><u>\$ (397,996)</u></u>	<u><u>\$ 200,002</u></u>

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**SCHEDULE OF OPERATIONS**  
**Year Ended June 30, 2015**

	Residents' Facility	Priests' Retirement Facility	Rental Property	Total
<b>REVENUES AND SUPPORT</b>				
Room and board fees	\$ 1,569,316	\$ 120,625	\$ -	\$ 1,689,941
Sales of supplies and services	9,502	5,287	-	14,789
Contributions	10,467	49,726	-	60,193
Rental income	-	-	4,950	4,950
Other income	23,483	8,005	-	31,488
Total revenues and support	<u>1,612,768</u>	<u>183,643</u>	<u>4,950</u>	<u>1,801,361</u>
<b>EXPENSES</b>				
Salaries and wages	662,055	88,234	-	750,289
Personnel benefits	256,519	39,310	-	295,829
Other personnel expenses	12,281	-	-	12,281
Purchased services	116,014	4,199	-	120,213
Residents' services	156,173	13,509	-	169,682
Facilities, buildings, and grounds	322,355	67,965	-	390,320
Office	19,634	-	-	19,634
Interest and related fees	48,883	-	-	48,883
Rental	-	-	7,571	7,571
Loan cost amortization	1,723	-	-	1,723
Other	14,544	316	-	14,860
Total expenses	<u>1,610,181</u>	<u>213,533</u>	<u>7,571</u>	<u>1,831,285</u>
Revenues and support in excess (deficient) of expenses	<u>2,587</u>	<u>(29,890)</u>	<u>(2,621)</u>	<u>(29,924)</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Investment return	28,475	-	-	28,475
Distributions from beneficial interests	52,993	16,582	-	69,575
Change in beneficial interests	<u>(38,852)</u>	<u>(10,883)</u>	<u>-</u>	<u>(49,735)</u>
Total other changes in net assets	<u>42,616</u>	<u>5,699</u>	<u>-</u>	<u>48,315</u>
<b>CHANGE IN NET ASSETS</b>	<u><u>\$ 45,203</u></u>	<u><u>\$ (24,191)</u></u>	<u><u>\$ (2,621)</u></u>	<u><u>\$ 18,391</u></u>

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**SUPPLEMENTAL SCHEDULES**  
**Years Ended June 30, 2015 and 2014**

	2015	2014
<b>PERSONNEL BENEFITS</b>		
Payroll taxes	\$ 52,501	\$ 46,441
Unemployment compensation	3,508	2,944
Workers' compensation	21,370	35,565
Health insurance	150,860	108,271
Retirement plan contributions	61,154	53,554
Other benefits	6,436	6,526
Total personnel benefits	\$ 295,829	\$ 253,301

**FACILITIES, BUILDINGS, AND GROUNDS**

Utilities	\$ 169,005	\$ 172,944
Building maintenance	14,705	24,310
Grounds maintenance	7,550	8,531
Building supplies	496	3,040
Small equipment and repairs	23,243	23,216
Service contracts	29,414	25,868
Depreciation	141,263	135,605
Vehicle repairs and supplies	4,644	4,401
Total facilities, buildings, and grounds	\$ 390,320	\$ 397,915

	Residents' Facility	Priests' Retirement Facility	Rental Property	Total
<b>PROPERTY AND EQUIPMENT</b>				
Land	\$ 40,500	\$ -	\$ -	\$ 40,500
Buildings and improvements	5,029,763	1,448,734	107,239	6,585,736
Machinery, equipment, furniture and fixtures	624,771	45,006	-	669,777
Vehicles	26,451	-	-	26,451
Accumulated depreciation	(2,489,510)	(313,169)	(36,878)	(2,839,557)
Total property and equipment	\$ 3,231,975	\$ 1,180,571	\$ 70,361	\$ 4,482,907

## **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 *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, 2015, 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 October 2, 2015.

**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.

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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-2 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-1 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 findings identified in our audit are 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 the entity'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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oshkosh, Wisconsin  
October 2, 2015

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor Programs Expenditures	Federal CFDA Number	Amount
<b>U.S. Department of Health and Human Services</b>		
Passed through Brown County Human Services Department:		
Medical Assistance Program	93.778	\$ 81,500
Block Grants for Prevention and Treatment of Substance Abuse	93.959	45,881
<b>Total Federal Assistance</b>		<b>\$ 127,381</b>
<hr/>		
State Grantor/Program Expenditures	State Program Number	Amount
<b>Wisconsin Department of Health Services</b>		
Passed through Brown County Human Services Department:		
Medical Assistance Program	435.338	\$ 10,517
Medical Assistance Program	435.348	17,411
Medical Assistance Program	435.367	105,765
Medical Assistance Program	435.369	4,933
Medical Assistance Program	435.375	23,494
<b>Total State Assistance</b>		<b>\$ 162,120</b>
<b>Total Federal and State Assistance</b>		<b>\$ 289,501</b>

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, June 30, 2015 and 2014**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards 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, 2015. 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 OMB Circular A-133, *Cost Principles for Not-Profit Organizations*, 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, 2014 and January 1 to June 30, 2015**

	Contract Period <u>1/1-12/31/14</u>	Contract Period <u>1/1-6/30/15</u>	<u>Total</u>
<b>REVENUE</b>			
Room and board fees	\$ 225,876	\$ 147,381	\$ 373,257
<b>ALLOWABLE COSTS</b>			
Salaries and wages	154,478	94,451	248,929
Personnel benefits	62,665	41,739	104,404
Supplies:			
Office expense	2,547	2,640	5,187
Program supplies	678	77	755
Telephone	2,156	1,139	3,295
Insurance	5,865	3,574	9,439
Indirect costs:			
Audit	3,305	2,410	5,715
Purchased services	18,439	9,086	27,525
Facilities, buildings, and grounds	<u>123,356</u>	<u>75,566</u>	<u>198,922</u>
Total allowable costs	<u>373,489</u>	<u>230,682</u>	<u>604,171</u>
<b>ALLOWABLE COSTS IN EXCESS OF REVENUE</b>	<u>\$ (147,613)</u>	<u>\$ (83,301)</u>	<u>\$ (230,914)</u>

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**RESERVE SUPPLEMENTARY SCHEDULE FOR MEDICAL ASSISTANCE PROGRAM**  
**June 30, 2015**

1. Total units of service	NA
2. Allowable expenses	<u>\$ 373,489</u>
3. Total payments and revenue	<u>225,876</u>
4. Excess payments and revenue over expenses (line 3 less line 2)	<u>-</u>
5. Total reserve from all prior periods (not including this period)	<u>-</u>
6. Calculation of reserve and amounts due to purchaser:	<u>-</u>

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	\$ 225,876	100.00%	\$ -	\$ 11,294	\$ -	\$ -	\$ -	\$ -	\$ 11,294	\$ -	\$ -	\$ -

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, June 30, 2015 and 2014**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Non-compliance material to the financial statements noted?	No

**Vendor Contracts**

Internal control over major Department of Health Services programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major Department of Health Services programs?	Unmodified
Any findings disclosed that are required to be reported in accordance with <i>Department of Health Services Audit Guide</i> ?	No

Identification of major Department of Human Services programs:

<u>CFDA/State ID Numbers</u>	<u>Name of Program</u>
93.778, 435.338, 435.348 435.367 435.369, 435.375	Medical Assistance Program

Dollar threshold used to select Department of Health Services programs: \$25,000

**SECTION II - FINANCIAL STATEMENT FINDINGS**

***Finding No. 2015-1 - 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.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, June 30, 2015 and 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

*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.

*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.

***Finding No. 2015-2 – Timely Deposit of Cash Receipts***

*Criterion or specific requirement:*

An organization should have procedures in place to ensure timely deposit of cash receipts.

*Condition:*

The Organization received a check in early June of 2015; however, it was not deposited until the middle of July, 2015.

*Effect:*

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

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, June 30, 2015 and 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

*Cause:*

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

*Recommendation:*

Timely preparation and management review of monthly bank reconciliations is the best means of preventing or detecting similar situations in the future.

*Response:*

Bank reconciliations are done monthly, either by an individual from the contracted accounting services firm or in conjunction with a financial systems consultant from St. Therese of the Little Flower, Inc. This is how the missing deposit was detected. The missing deposit was due to a misunderstanding as to which of two individuals was to make the deposit. Each believed the other had made the deposit.

**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 non-compliance, non-material non-compliance, 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 <i>Provider Agency Audit Guide</i> :<br><br>Department of Health Services | No  |
| 3. Was a management letter or other document conveying audit comments issued as a result of this audit?  | Yes |

- |   |                        |
|---|------------------------|
| 4. Name and signature of Partner-in-Charge: | <u>Dale R. Hill</u>    |
| 5. Date of report:                          | <u>October 2, 2015</u> |



**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**CORRECTIVE ACTION PLAN**  
**Year Ended June 30, June 30, 2015 and 2014**

***Finding No. 2015-1 - 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.

***Finding No. 2015-2 – Timely Deposit of Cash Receipts***

We agree and will continue to perform bank reconciliations monthly to ensure that all deposits are made in a timely manner.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.  
STATUS OF PRIOR YEAR FINDINGS  
Year Ended June 30, June 30, 2015 and 2014**

***Finding No. 2014-1 - 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 2015-1 in the current year.