

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

**FINANCIAL STATEMENTS
June 30, 2014 and 2013**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	8
SUPPLEMENTARY INFORMATION	
Five-Year Comparative Analysis of Change in Net Assets.....	18
Schedule of Operations	19
Supplemental Schedules.....	20
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>	22
Schedule of Expenditures of Federal and State Awards	24
Notes to Schedule of Expenditures of Federal and State Awards	25
Brown County Human Services Department - Schedule of Revenue and Allowable Costs.....	26
Reserve Supplementary Schedule	27
Schedule of Findings and Questioned Costs	28
Corrective Action Plan	30
Summary Schedule of Prior Year Findings	31

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, 2014 and 2013, 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, 2014 and 2013, 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 September 23, 2014, 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
September 23, 2014

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	2014	2013
Cash	\$ 51,871	\$ 81,007
Accounts receivable	33,243	34,001
Investments	1,204,789	1,312,704
Property and equipment, net	4,615,573	4,643,891
Loan costs, net	4,945	6,669
Beneficial interests	1,620,004	1,460,920
TOTAL ASSETS	\$ 7,530,425	\$ 7,539,192

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 49,136	\$ 48,056
Accrued expenses	59,391	59,037
Accrued interest	4,102	-
Deferred revenue	18,515	16,105
Long-term debt	2,049,773	2,139,257
Total liabilities	2,180,917	2,262,455

NET ASSETS

Unrestricted	3,729,504	3,815,817
Permanently restricted	1,620,004	1,460,920
Total net assets	5,349,508	5,276,737

TOTAL LIABILITIES AND NET ASSETS	\$ 7,530,425	\$ 7,539,192
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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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
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>
EXPENSES				
Salaries and wages	652,398	-	-	652,398
Personnel benefits	264,887	-	-	264,887
Purchased services	81,653	-	-	81,653
Facilities, buildings, and grounds	559,198	-	-	559,198
Office	10,328	-	-	10,328
Supplies	3,040	-	-	3,040
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>
OTHER CHANGES IN NET ASSETS				
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>
CHANGE IN NET ASSETS	(86,313)	-	159,084	72,771
NET ASSETS - BEGINNING OF YEAR	<u>3,815,817</u>	<u>-</u>	<u>1,460,920</u>	<u>5,276,737</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,729,504</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,620,004</u></u>	<u><u>\$ 5,349,508</u></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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Room and board fees	\$ 1,176,208	\$ -	\$ -	\$ 1,176,208
Sales of supplies and services	21,931	-	-	21,931
Contributions	210,850	-	-	210,850
Rental income	9,900	-	-	9,900
Other income	39,779	-	-	39,779
Net assets released from restrictions	15,108	(15,108)	-	-
Total revenues and support	<u>1,473,776</u>	<u>(15,108)</u>	<u>-</u>	<u>1,458,668</u>
EXPENSES				
Salaries and wages	628,519	-	-	628,519
Personnel benefits	281,903	-	-	281,903
Purchased services	67,739	-	-	67,739
Facilities, buildings, and grounds	467,645	-	-	467,645
Office	8,462	-	-	8,462
Supplies	1,207	-	-	1,207
Interest and related fees	50,614	-	-	50,614
Rental	6,184	-	-	6,184
Loan cost amortization	1,816	-	-	1,816
Other	4,444	-	-	4,444
Total expenses	<u>1,518,533</u>	<u>-</u>	<u>-</u>	<u>1,518,533</u>
Revenues and support deficient of expenses	<u>(44,757)</u>	<u>(15,108)</u>	<u>-</u>	<u>(59,865)</u>
OTHER CHANGES IN NET ASSETS				
Investment return	144,804	-	-	144,804
Distributions from beneficial interests	37,599	15,108	-	52,707
Change in beneficial interests	-	-	71,396	71,396
Total other changes in net assets	<u>182,403</u>	<u>15,108</u>	<u>71,396</u>	<u>268,907</u>
CHANGE IN NET ASSETS	137,646	-	71,396	209,042
NET ASSETS - BEGINNING OF YEAR	<u>3,678,171</u>	<u>-</u>	<u>1,389,524</u>	<u>5,067,695</u>
NET ASSETS - END OF YEAR	<u>\$ 3,815,817</u>	<u>\$ -</u>	<u>\$ 1,460,920</u>	<u>\$ 5,276,737</u>

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

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 2,600	\$ 210,850
Cash received from and on behalf of residents	1,361,650	1,235,919
Cash paid to and on behalf of employees	(916,931)	(902,603)
Cash paid to suppliers	(521,418)	(415,679)
Interest paid	<u>(52,108)</u>	<u>(50,614)</u>
Net cash flows from operating activities	<u>(126,207)</u>	<u>77,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of property and equipment	(110,849)	(365,525)
Cash paid for purchases of investments	-	(75,000)
Proceeds from sale of investments	265,001	120,000
Distributions from beneficial interests	32,403	52,707
Change in assets held by trustee for debt retirement	<u>-</u>	<u>94,015</u>
Net cash flows from investing activities	<u>186,555</u>	<u>(173,803)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in cash overdraft	-	(8,210)
Principal payments on long-term debt and related loan costs	(89,484)	(77,641)
Proceeds from long-term debt	<u>-</u>	<u>262,788</u>
Net cash flows from financing activities	<u>(89,484)</u>	<u>176,937</u>
NET CHANGE IN CASH	(29,136)	81,007
CASH - BEGINNING OF YEAR	<u>81,007</u>	<u>-</u>
CASH - END OF YEAR	<u><u>\$ 51,871</u></u>	<u><u>\$ 81,007</u></u>

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

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 72,771	\$ 209,042
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	139,167	120,584
Amortization of loan costs	1,724	1,816
Investment return	(157,086)	(144,804)
Change in beneficial interests	(159,084)	(71,396)
Distributions from beneficial interests	(32,403)	(52,707)
Changes in certain assets and liabilities:		
Accounts receivable	758	(7,764)
Accounts payable	1,080	19,418
Accrued expenses	354	7,819
Accrued interest	4,102	-
Deferred revenue	2,410	(4,135)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (126,207)	\$ 77,873
NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest and dividends reinvested directly back into investment funds	\$ 18,701	\$ 23,085

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

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - NATURE OF OPERATIONS

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.

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 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. There was no allowance for doubtful accounts at June 30, 2014 or 2013.

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, 2014 and 2013

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.

	<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 or bond issue.

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, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014 and 2013. McCormick Home files tax returns in the U.S. federal jurisdiction and one state. McCormick Home is no longer subject to U.S. federal or state tax examinations by tax authorities for years before 2011.

NOTE 3 - 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.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 3 - INVESTMENTS (CONTINUED)

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

	Fair Value		Redemption Frequency	Termination Notice Period
	<u>2014</u>	<u>2013</u>		
St. Francis Xavier Corp. fixed income fund	\$ 411,254	\$ 435,099	Daily	30 days
St. Francis Xavier Corp. equity fund	772,450	676,779	Daily	30 days
St. Francis Xavier Corp. money market fund	<u>21,085</u>	<u>200,826</u>	Daily	30 days
	<u>\$ 1,204,789</u>	<u>\$ 1,312,704</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, 2014 and 2013

NOTE 3 - INVESTMENTS (CONTINUED)

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>2014</u>	<u>2013</u>
Interest and dividends	\$ 18,701	\$ 23,085
Realized and unrealized gain on investments	<u>138,385</u>	<u>121,719</u>
Total investment return	<u>\$ 157,086</u>	<u>\$ 144,804</u>

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2014 and 2013 were \$8,334 and \$7,761, respectively.

NOTE 4 - 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. 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, 2014 and 2013

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

	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
Total assets	\$ -	\$ 1,204,789	\$ 1,620,004	\$ 2,824,793

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
St. Francis Xavier Corp. fixed income fund	\$ -	\$ 435,099	\$ -	\$ 435,099
St. Francis Xavier Corp. equity fund	-	676,779	-	676,779
St. Francis Xavier Corp. money market fund	-	200,826	-	200,826
Beneficial interests	-	-	1,460,920	1,460,920
Total assets	\$ -	\$ 1,312,704	\$ 1,460,920	\$ 2,773,624

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, 2014 and 2013

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Beneficial Interests
Balances, June 30, 2012	\$ 1,389,524
Net gains (realized and unrealized) included in: Change in net assets	71,396
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

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2014	2013
Land	\$ 40,500	\$ 40,500
Buildings and improvements	6,582,137	6,498,893
Machinery, equipment, furniture, and fixtures	661,204	633,599
Vehicles	26,451	26,451
Total - at cost	7,310,292	7,199,443
Less accumulated depreciation	(2,694,719)	(2,555,552)
Net property and equipment	\$ 4,615,573	\$ 4,643,891

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 6 - 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, 2014 and 2013, the fair value of McCormick Home's 7% share was \$1,286,790 and \$1,155,459, respectively. For the years ended June 30, 2014 and 2013, the trust income distributions were \$15,458 and \$37,599, respectively, and the gain on perpetual trust assets was \$131,331 and \$49,405, 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, 2014 and 2013, the fair value of the beneficial interest was \$333,214 and \$305,461, respectively. For the years ended June 30, 2014 and 2013, distributions were \$16,945 and \$15,108, respectively, and the increase in value was \$27,753 and \$21,991, 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 7 - 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 2.25% (effectively 2.40% and 2.44% at June 30, 2014 and 2013, respectively). Interest and principal payments of \$11,782 are payable monthly, and a final balloon payment is due in May of 2017. The balance of the note payable was \$2,049,773 and \$2,139,257 at June 30, 2014 and 2013, respectively. Interest expense for the years ended June 30, 2014 and 2013 was \$55,658 and \$50,441, respectively.

Annual principal maturities of the outstanding long-term debt for the next five years are detailed below:

2015	\$ 92,207
2016	94,492
2017	<u>1,863,074</u>
	<u>\$ 2,049,773</u>

NOTE 8 - 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, 2014 and 2013 was \$53,554 and \$50,976, respectively.

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 9 - 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>2014</u>	<u>2013</u>
Program services	\$ 1,343,342	\$ 1,307,283
Management and general	<u>293,542</u>	<u>211,250</u>
Total	<u>\$ 1,636,884</u>	<u>\$ 1,518,533</u>

NOTE 10 - INTERDIOCESAN TRANSACTIONS

McCormick Home was a party to various transactions with other diocesan corporations during the years ended June 30, 2014 and 2013. Total revenues and support from other diocesan corporations were \$16,945 and \$15,108 for the years ended June 30, 2014 and 2013, respectively, and relate to distributions from a beneficial interest and room and board revenue. Total expenses paid to other diocesan corporations were \$207,352 and \$194,276 for the years ended June 30, 2014 and 2013, respectively, and relates to administrative and support services.

NOTE 11 - SUBSEQUENT EVENTS

Management evaluated subsequent events through September 23, 2014, the date the accompanying financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to September 23, 2014 that provided additional evidence about conditions that existed at June 30, 2014, have been recognized in the accompanying financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014, but arose before the accompanying financial statements were available to be issued have not been recognized in the accompanying financial statements for the year ended June 30, 2014.

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, 2014 through 2010

	2014	2013	2012	2011	2010
REVENUES AND SUPPORT					
Room and board fees	\$ 1,302,027	\$ 1,176,208	\$ 1,244,801	\$ 1,235,449	\$ 1,200,449
Sales of supplies and services	22,951	21,931	13,843	11,372	9,267
Contributions	2,600	210,850	2,264	775	2,750
Rental income	9,900	9,900	9,950	9,950	9,813
Other income	23,604	39,779	24,301	25,466	25,719
Total revenues and support	<u>1,361,082</u>	<u>1,458,668</u>	<u>1,295,159</u>	<u>1,283,012</u>	<u>1,247,998</u>
EXPENSES					
Salaries and wages	652,398	628,519	615,220	569,124	564,990
Personnel benefits	264,887	281,903	278,276	274,490	266,577
Compensation of clergy and religious	-	-	-	-	9,859
Purchased services	81,653	67,739	72,269	67,471	41,345
Facilities, buildings, and grounds	559,198	467,645	488,209	499,936	515,240
Office	10,328	8,462	11,883	5,637	6,264
Supplies	3,040	1,207	1,468	11,891	9,710
Interest and related fees	56,210	50,614	111,786	102,267	127,099
Rental	6,944	6,184	6,151	6,178	6,487
Loan cost amortization	1,723	1,816	57,987	3,322	3,322
Other	503	4,444	9,504	-	3,784
Total expenses	<u>1,636,884</u>	<u>1,518,533</u>	<u>1,652,753</u>	<u>1,540,316</u>	<u>1,554,677</u>
Revenues and support deficient of expenses	<u>(275,802)</u>	<u>(59,865)</u>	<u>(357,594)</u>	<u>(257,304)</u>	<u>(306,679)</u>
OTHER CHANGES IN NET ASSETS					
Investment return	157,086	144,804	(20,711)	259,901	184,807
Distributions from beneficial interests	32,403	52,707	36,486	34,351	41,428
Change in beneficial interests	159,084	71,396	(56,177)	163,054	70,970
Total other changes in net assets	<u>348,573</u>	<u>268,907</u>	<u>(40,402)</u>	<u>457,306</u>	<u>297,205</u>
CHANGE IN NET ASSETS	<u>\$ 72,771</u>	<u>\$ 209,042</u>	<u>\$ (397,996)</u>	<u>\$ 200,002</u>	<u>\$ (9,474)</u>

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SCHEDULE OF OPERATIONS
Year Ended June 30, 2014

	Residents' Facility	Priests' Retirement Facility	Rental Property	Total
REVENUES AND SUPPORT				
Room and board fees	\$ 1,169,352	\$ 132,675	\$ -	\$ 1,302,027
Sales of supplies and services	6,601	16,350	-	22,951
Contributions	2,600	-	-	2,600
Rental income	-	-	9,900	9,900
Other income	6,906	16,698	-	23,604
Total revenues and support	<u>1,185,459</u>	<u>165,723</u>	<u>9,900</u>	<u>1,361,082</u>
EXPENSES				
Salaries and wages	575,675	76,723	-	652,398
Personnel benefits	231,968	32,919	-	264,887
Purchased services	81,653	-	-	81,653
Facilities, buildings, and grounds	488,424	70,774	-	559,198
Office	10,328	-	-	10,328
Supplies	2,633	407	-	3,040
Interest and related fees	56,210	-	-	56,210
Rental	-	-	6,944	6,944
Loan cost amortization	1,723	-	-	1,723
Other	453	50	-	503
Total expenses	<u>1,449,067</u>	<u>180,873</u>	<u>6,944</u>	<u>1,636,884</u>
Revenues and support in excess (deficient) of expenses	<u>(263,608)</u>	<u>(15,150)</u>	<u>2,956</u>	<u>(275,802)</u>
OTHER CHANGES IN NET ASSETS				
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>331,628</u>	<u>16,945</u>	<u>-</u>	<u>348,573</u>
CHANGE IN NET ASSETS	<u>\$ 68,020</u>	<u>\$ 1,795</u>	<u>\$ 2,956</u>	<u>\$ 72,771</u>

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SUPPLEMENTAL SCHEDULES
Years Ended June 30, 2014 and 2013

	2014	2013
PERSONNEL BENEFITS		
Payroll taxes	\$ 46,441	\$ 43,992
Unemployment compensation	2,944	3,069
Workers' compensation	35,565	22,389
Health insurance	108,271	143,885
Retirement plan contributions	53,554	50,976
Staff development	10,416	9,833
Other benefits	7,696	7,759
	\$ 264,887	\$ 281,903

FACILITIES, BUILDINGS, AND GROUNDS

Telephone and cable	\$ 20,423	\$ 18,846
Utilities	172,944	135,522
Building maintenance	24,310	20,916
Grounds maintenance	8,531	3,280
Insurance	26,009	25,017
Small equipment and repairs	24,677	10,305
Service contracts	25,868	23,993
Depreciation	135,605	117,085
Food supplies	89,166	84,559
Housekeeping supplies	5,525	4,570
Kitchen supplies	4,386	4,576
Laundry supplies	2,077	1,310
Library supplies	16	114
Linen supplies	818	683
Medical supplies	3,723	2,985
Organized activities	10,719	10,970
Vehicle repairs and supplies	4,401	2,914
	\$ 559,198	\$ 467,645
Total facilities, buildings, and grounds	\$ 559,198	\$ 467,645

	Residents' Facility	Priests' Retirement Facility	Rental Property	Total
PROPERTY AND EQUIPMENT				
Land	\$ 40,500	\$ -	\$ -	\$ 40,500
Buildings and improvements	5,029,763	1,445,135	107,239	6,582,137
Machinery, equipment, furniture and fixtures	616,198	45,006	-	661,204
Vehicles	26,451	-	-	26,451
Accumulated depreciation	(2,363,047)	(298,369)	(33,303)	(2,694,719)
Total property and equipment	\$ 3,349,865	\$ 1,191,772	\$ 73,936	\$ 4,615,573

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, 2014, 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 23, 2014.

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 first paragraph of this section 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. 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2014-1 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*.

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.

CliftonLarsonAllen LLP

Oshkosh, Wisconsin
September 23, 2014

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

Federal Grantor/Pass-Through Grantor Programs Expenditures	Federal CFDA Number	Amount
U.S. Department of Health and Human Services		
Passed through Brown County Human Services Department:		
Medical Assistance Program	93.778	\$ 35,418
Block Grants for Prevention and Treatment of Substance Abuse	93.959	26,078
Total Federal Assistance		\$ 61,496
<hr/>		
State Grantor/Program Expenditures	State Program Number	Amount
Wisconsin Department of Health Services		
Passed through Brown County Human Services Department:		
Medical Assistance Program	435.338	\$ 5,219
Medical Assistance Program	435.348	3,894
Medical Assistance Program	435.367	46,506
Medical Assistance Program	435.375	15,236
Total State Assistance		\$ 70,855
Total Federal and State Assistance		\$ 132,351

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 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, 2014. 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, 2013 and January 1 to June 30, 2014

	Contract Period <u>1/1-12/31/13</u>	Contract Period <u>1/1-6/30/14</u>	<u>Total</u>
REVENUE			
Room and board fees	<u>\$ 109,009</u>	<u>\$ 87,645</u>	<u>\$ 196,654</u>
ALLOWABLE COSTS			
Salaries and wages	93,378	55,512	148,890
Personnel benefits	36,341	24,198	60,539
Supplies:			
Office expense	1,252	1,088	2,340
Program supplies	171	524	695
Telephone	1,428	1,130	2,558
Insurance	3,570	2,390	5,960
Indirect costs:			
Audit	1,729	235	1,964
Purchased services	8,121	8,481	16,602
Facilities, buildings, and grounds	<u>66,439</u>	<u>52,277</u>	<u>118,716</u>
Total allowable costs	<u>212,429</u>	<u>145,835</u>	<u>358,264</u>
ALLOWABLE COSTS IN EXCESS OF REVENUE	<u><u>\$ (103,420)</u></u>	<u><u>\$ (58,190)</u></u>	<u><u>\$ (161,610)</u></u>

MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
RESERVE SUPPLEMENTARY SCHEDULE FOR MEDICAL ASSISTANCE PROGRAM
June 30, 2014

1. Total units of service	NA
2. Allowable expenses	\$ 212,429
3. Total payments and revenue	109,009
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 5% (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	\$ 109,009	100.00%	\$ -	\$ 5,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,450	\$ -	\$ -	\$ -

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 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?	No
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:	
Medical Assistance Program	
Dollar threshold used to select Department of Health Services programs:	\$25,000

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 2014-1 - 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, 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.

SECTION III - 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 *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? Yes

4. Name and signature of Partner-in-Charge: Dale R. Hill

5. Date of report: September 23, 2014

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

Finding No. 2014-1 - 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.
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2014

The prior year audit disclosed no findings, and therefore, no uncorrected or unresolved findings exist from prior audits.