

THE MCCREADY FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

THE MCCREADY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

To the Management and Board of Directors
The McCready Foundation, Inc.
Crisfield, Maryland

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of The McCready Foundation, Inc. (a nonprofit organization) and affiliates, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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Auditor's responsibility (Continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The McCreedy Foundation, Inc. and affiliates as of June 30, 2018 and 2017, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position on pages 20 – 21, the consolidating statements of activities on page 22, and the statements of activity by organization on pages 23 - 26 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects to the consolidated financial statements as a whole.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
October 29, 2018

CONSOLIDATED FINANCIAL STATEMENTS

THE MCCREADY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,278,677	\$ 2,861,021
Certificates of deposit	202,830	201,946
Accounts receivable, net	4,249,135	3,187,048
Pledges receivable		1,600
Inventories	385,967	369,470
Prepaid expenses	297,792	239,677
Total current assets	<u>6,414,401</u>	<u>6,860,762</u>
INVESTMENTS, AT FAIR VALUE		
Investments maintained by		
Community Foundation of the Eastern Shore	253,244	230,828
Total investments	<u>253,244</u>	<u>230,828</u>
PROPERTY AND EQUIPMENT		
Property and equipment	30,895,620	30,758,141
Less accumulated depreciation	(14,998,176)	(14,348,830)
Net property and equipment	<u>15,897,444</u>	<u>16,409,311</u>
OTHER ASSETS		
Restricted patient funds	18,618	20,236
Total other assets	<u>18,618</u>	<u>20,236</u>
Total assets	<u>\$ 22,583,707</u>	<u>\$ 23,521,137</u>

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Line of credit	\$ 86,206	\$ 101,236
Current portion of long-term debt	495,312	590,939
Accounts payable	1,699,007	867,948
Accrued salaries, annual leave and related taxes	996,060	869,582
Accrued interest	31,239	32,586
Medicare periodic interim payment program	123,244	49,419
Blue cross - advance	158,400	153,600
Assisted living deposits	2,413	
Medicaid - advance	113,847	186,632
Total current liabilities	3,705,728	2,851,942
LONG - TERM DEBT		
Loan payable	9,036,860	9,421,966
Total non-current liabilities	9,036,860	9,421,966
OTHER LIABILITIES		
Restricted patient funds	18,493	10,649
Total other liabilities	18,493	10,649
Total liabilities	12,761,081	12,284,557
NET ASSETS		
Unrestricted	9,822,627	11,236,580
Total net assets	9,822,627	11,236,580
Total liabilities and net assets	\$ 22,583,708	\$ 23,521,137

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

THE MCCREADY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUE	24,322,122	22,697,869
EXPENSES		
Wages and benefits		
Salaries and wages	11,757,351	10,828,142
Payroll taxes	826,756	779,490
Employee benefits	1,686,364	1,745,137
Total wages and benefits	14,270,471	13,352,769
Direct expenses		
Professional service fees	2,167,164	2,214,907
Consumable supplies	2,333,318	2,038,637
Advertising and recruiting	132,959	100,012
Service contracts and maintenance	1,524,806	963,631
Leases and rentals	510,124	540,445
Depreciation expense	1,246,459	1,464,800
Utilities	596,467	633,445
Interest expense	503,072	520,384
Insurance	416,533	489,558
Other expenses	935,880	727,358
Bad debt expense	1,203,732	708,677
Total direct expenses	11,570,514	10,401,854
Total expenses	25,840,985	23,754,623
Operating loss	(1,518,863)	(1,056,754)
NONOPERATING INCOME	104,910	182,007
Change in net assets	(1,413,953)	(874,747)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	11,236,580	12,111,327
NET ASSETS, END OF YEAR	\$ 9,822,627	\$ 11,236,580

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

THE MCCREADY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (1,413,953)	\$ (874,747)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,246,459	1,464,800
Unrealized loss gain on investment:	(24,873)	(26,454)
(Increase) decrease in operating assets:		
Accounts receivable	(1,062,087)	(460,765)
Pledges receivable	1,600	
Inventories	(16,497)	(53,405)
Medicare periodic interim payment program	73,825	47,083
Prepaid expenses	(58,115)	(8,242)
Increase (decrease) in operating liabilities		
Accounts payable	831,059	75,969
Accrued salaries, annual leave and related taxes	126,478	17,712
Accrued interest	(1,348)	(596)
Blue Cross - advance	4,800	40,600
Assited living deposits	2,413	
Medicaid advance	(72,785)	108,048
Restricted funds	9,462	(9,586)
Net cash provided (used) by operating activities	(353,562)	320,417
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of certificates of deposit	(884)	(25,587)
Purchase of fixed assets net of disposals and transfers	(734,592)	(781,997)
Investments maintained by		
Community Foundation of the Eastern Shore	2,457	2,183
Net cash used by investing activities:	(733,019)	(805,401)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	86,206	101,236
Principal payments on long term deb	(581,969)	(183,450)
Net cash used by financing activities:	(495,763)	(82,214)
Net decrease in cash and cash equivalents	(1,582,344)	(567,198)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,861,021	3,428,219
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,278,677	\$ 2,861,021
SUPPLEMENTARY INFORMATION		
Interest paid	\$ 503,072	\$ 520,384

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

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

ORGANIZATION

The McCready Foundation, Inc. (Foundation) is located in Crisfield, Maryland. The Foundation consists of The Edward W. McCready Memorial Hospital (Hospital), The Alice Byrd Tawes Nursing Home (Nursing Home), Chesapeake Cove Assisted Living Center (Chesapeake Cove), and The McCready Foundation, Inc. Endowment Fund (Endowment Fund). These four organizations are controlled by a common Board of Directors and Chief Executive Officer that operates under the name of The McCready Foundation, Inc. (the Parent Organization). The consolidated financial statements consist of a combination of the individual financial statements of the Hospital, Nursing Home, Chesapeake Cove, and Endowment Fund with eliminations of certain inter-entity balances and transactions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The Organization has adopted the provisions of the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-For-Profit Entities* in the presentation of its financial information.

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, including contributions, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of June 30, 2018, the Organization had no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. As of June 30, 2018, the Organization has no permanently restricted net assets.

Cash and cash equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories, which primarily consist of medical supplies and drugs, are carried at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Investments

The Foundation's investment policies follow conservative guidelines desired to yield modest returns on low-risk investments. The investment policy reflects a modest objective with only investments in cash products, such as certificates of deposit, encouraged. The only exception to this conservative approach are the funds that were placed in the custody of the Community Foundation of the Eastern Shore (CFES).

The Foundation has accepted the valuation of assets as provided by the CFES which has adopted the Financial Accounting Standards Board "*Accounting Standards Codification.*" Under FASB, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

Accounts receivable and allowances

The Organization's policy is to write off all patient accounts that have been identified as uncollectible. A reserve for uncollectible receivables is recorded for accounts not yet written off that are anticipated to become uncollectible in future periods. When determining the allowance, the policy considers the probability of recoverability of accounts based on historical write-offs, net of recoveries, as well as an analysis of the aged accounts receivable balances with allowances generally increasing as the receivable ages. The analysis of receivables is performed monthly, and the allowances are adjusted accordingly.

A reserve for uncollectible receivables has been established based on private pay, insurances and sliding scale fees. The reserve is estimated at \$1,401,793 and \$1,253,642 as of June 30, 2018 and 2017, respectively. Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received. Interest is not charged on patient accounts receivable.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Expenditures for property, equipment, and improvements are capitalized at cost. Equipment expenditures of \$500 or less are charged to expense. Ordinary repairs and maintenance are charged to expense when incurred. Donated assets are capitalized, and recorded as support, at their fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

	<u>Life</u>
Land improvements	10 - 50 years
Buildings	10 - 50 years
Fixed equipment	5 years
Major moveable equipment	10 - 20 years

Donations and bequests

Unconditional promises to give and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily restricted or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Donated services

No amounts have been reported in the financial statements for donated services or materials. The organization generally pays for services requiring specific expertise.

Income taxes

The Parent Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Parent Organization files a consolidated form 990 that includes all activities of The Edward W. McCready Memorial Hospital, The Alice Byrd Tawes Nursing Home, Chesapeake Cove Assisted Living, and The McCready Foundation, Inc. Endowment Fund.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (continued)

Under the requirements of Financial Accounting Standards Board (FASB) ASC 740, "Income Taxes", tax-exempt organizations could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. As of June 30, 2018, the Parent Organization has determined that it does not have any uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Revenue under third-party agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

The Foundation has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

The following estimated adjustments were made to gross patient revenues for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Gross patient service revenue	\$ 28,971,818	\$ 28,016,728
Less charity care and contractual adjustments	<u>(4,649,696)</u>	<u>(5,318,859)</u>
Net patient service revenue	<u>\$ 24,322,122</u>	<u>\$ 22,697,869</u>

The Foundation's revenues may be subject to adjustments as a result of examination by government agencies or contractors, and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered.

Medicare and Medicaid

Services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per visit. The Foundation is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report and audits thereof by the Medicare fiscal intermediary.

Commercial carriers

The Foundation has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Foundation is based on charges for services provided to the patients.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of consolidated 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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

Management has evaluated subsequent events through October 29, 2018, the date the consolidated financial statements were available and approved to be issued.

ADVERTISING

The Foundation's policy is to expense advertising costs as the costs are incurred. Total advertising, marketing and development costs for the years ended June 30, 2018 and 2017 amounted to \$132,959 and \$100,012, respectively.

CASH AND CASH EQUIVALENTS

All cash and cash equivalent funds are in local banks and are secured up to \$250,000, per bank, by the Federal Deposit Insurance Corporation (FDIC), an agency of the Federal government. The bank accounts of all four organizations controlled by The McCready Foundation, Inc. have been opened as accounts of The McCready Foundation, Inc. As a result, these four organizations are subject to FDIC as one entity. As of June 30, 2018, The McCready Foundation, Inc. has cash balances totaling \$934,131 in excess of the amount insured by the FDIC.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

PROPERTY AND EQUIPMENT

At June 30, 2018 and 2017, the cost and related depreciation of property and equipment were as follows:

	2018	2017
Land improvements	\$ 106,851	\$ 110,632
Buildings	24,511,215	24,008,155
Fixed equipment	1,435,966	1,549,032
Major moveable equipment	4,841,588	5,090,322
Total assets	30,895,620	30,758,141
Less: accumulated depreciation	(14,998,176)	(14,348,830)
Net property and equipment	<u>\$ 15,897,444</u>	<u>\$ 16,409,311</u>

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$1,246,459 and \$1,464,800, respectively.

LONG-LIVED ASSETS

The carrying value of long-lived assets and certain identifiable intangibles is reviewed by the Organization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, as prescribed by ASC Topic 360 *Property, Plant and Equipment*. There were no impairments identified as of June 30, 2018 and 2017, respectively.

COMPENSATED ABSENCES

Employees of the Foundation are entitled to paid vacation, depending on length of service and job classification. Accrued vacation balances at June 30, 2018 and 2017 were \$553,519 and \$458,495, respectively. Rights to receive sick leave do not vest.

LINE OF CREDIT

The Hospital Agency opened a Convertible Line of Credit with PNC Bank on January 27, 2016 with an available line of credit totaling \$114,500. Interest on any borrowing against this line of credit is due the 27th of each month until the conversion date, when all accrued interest shall be due and payable. The balance outstanding as of June 30, 2018 and 2017 was \$86,206 and \$101,236, respectively.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

LONG TERM DEBT

The following summarizes long-term debt at June 30,

	2018	2017
Hospital long term debt:		
USDA Mortgage loan payable to USDA, made on February 5, 1979 in the amount of \$3,200,000 matures January, 2021, payable in monthly installments of \$15,712 including interest at 5%, collateralized by a first mortgage on the Hospital's land, building, personal property, and pledge of real income. A debt service account requirement (USDA loan agreement paragraph 4.5.1) has been waived by having the McCready Foundation, Inc. pledge a savings account held at PNC Bank. The USDA subordinated its' position on this mortgage, but only to the extent of parity with the mortgages from the Bank of Delmarva in the amount of \$4,000,000 and the USDA in the amount of \$6,000,000.	\$ 59,916	\$ 240,431
Convertible line of credit payable to PNC, made on May 15, 2015 and converted on December 15, 2015, with the original amount owed of \$300,978 and upon conversion \$326,958 maturing November 15, 2022, payable in monthly installments of \$4,427.56 at an interest rate of \$3.67%.	216,038	260,231
Hologic 3D Mammo System - \$414,178 financed by Provident Leasing for 36 months at \$12,409 (4.977% interest rate)	182,792	319,973
Hemalology System - \$33,834 financed by Leasing Associates of Barrington for 48 months at \$733 (1.93% interest rate)	22,148	30,430
C Arm Radiology System - \$76,985 financed by Siemens Financing for 60 months at \$1,353 (2.098% interest rate)	59,105	73,324
Xray - \$106,260 financed by Provident Leasing for 36 months at \$3,184 (4.985% interest rate)	25,002	60,985
Ultrasound - \$154,375 financed by GE for for 60 months at \$2,682 (1.64% interest rate)	73,709	97,629
McKesson Coagulation Analyzer, NH Call System, Ultrasound \$117,806 financed by First American Lease for 60 months at \$2,249 (5.476% interest rate)	110,985	

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

LONG TERM DEBT (Continued)

	2018	2017
Nursing Home long term debt:		
<p>USDA – Second mortgage – \$6,000,000 dated June 4, 2009 bearing interest at 4.25%. It is amortized over 40 years with the final installment due June 4, 2049. The purpose of the loan is to construct the new nursing home. The collateral is to include all assets of the Hospital, Nursing Home and the Foundation. Payments were interest only through June 4, 2011, with monthly principal and interest payments commencing on July 4, 2011.</p>	5,442,359	5,528,023
<p>The Bank of Delmarva – Third mortgage – \$4,000,000 dated June 4, 2009 bearing interest at 6.5% on the total sums disbursed, starting July 4, 2009 to June 4, 2011. Monthly principal and interest payments commenced on July 4, 2011 and shall continue through June 4, 2016. From and after the 4th of June, 2016, principal and interest at the rate of prime minus one-half percent (-.50%), as of June 4, 2016, on the unpaid principal, shall be due and payable in three hundred (300) consecutive monthly installments (based on a thirty (30) year amortization) commencing on July 4, 2016, and continuing on the like day of each month thereafter, to and including the June 4, 2041, when the final payment of all principal and interest shall be due and payable in full. The term “prime rate of interest” as used herein is defined as the prevailing corporate prime rate as published daily in the Wall Street Journal, or its successor publication. Any increase or decrease in said rate of interest shall be adjusted every 60 months beginning June, 2016, and shall be due on the 4th day of each month following such change in said interest rate. Notwithstanding the above, it is understood and agreed, by and between the parties hereto, that the interest rate set forth herein shall, in no event, be less than 6.50%, nor greater than 9.75%, for the life of the loan. This loan is guaranteed by the USDA. The collateral is to include all assets of the Hospital, Nursing Home, Chesapeake Cove Assisted Living and the Foundation.</p>	3,340,118	3,401,879
Total long term debt	\$ 9,532,172	\$ 10,012,905

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

LONG TERM DEBT (Continued)

Scheduled payments of principal due on long term debt for subsequent years ending June 30 are as follows:

	<u>Hospital</u>	<u>Nursing Home</u>	<u>Total</u>
2019	\$ 345,993	\$ 149,319	\$ 495,312
2020	158,266	160,472	318,738
2021	112,561	169,081	281,642
2022	88,663	178,174	266,837
2023	44,212	187,779	231,991
Thereafter		7,937,652	7,937,652
Total	<u>\$ 749,695</u>	<u>\$ 8,782,477</u>	<u>\$ 9,532,172</u>

CHARITY CARE

The Foundation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Foundation does not pursue collection of amounts determined to qualify as charity care. The amount of charges foregone for services and supplies furnished under the Foundation's charity care policy aggregated approximately \$326,004 and \$307,205 in the years ended June 30, 2018 and 2017, respectively.

INVESTMENTS MAINTAINED BY COMMUNITY FOUNDATION OF THE EASTERN SHORE

During the year ended June 30, 2011, the Foundation established a fund in the amount of \$105,000 with the Community Foundation of the Eastern Shore (CFES) in order to develop a constant stream of income. CFES is a community based charitable organization established to support worthwhile projects in Wicomico, Worcester, and Somerset Counties. The CFES fund is managed by third party investment managers in a diversified portfolio. The principal of this fund is considered unrestricted. Written board approval is required to draw on the principal of the fund. The balances of the account at June 30, 2018 and 2017 were \$253,244 and \$230,828, respectively. Unrealized gain (loss) on investments represents the Foundation's share of CFES's realized and unrealized gains and losses, interest and dividends.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

COMMITMENTS AND CONTINGENCIES

The Foundation's charges are subject to review and approval by the Maryland Health Services Cost Review Commission. Until such review has been completed and approved, there exists a contingent liability to repay amounts in excess of allowable charges.

The Foundation has elected the reimbursement method of Maryland unemployment coverage whereby the organization reimburses the State of Maryland Unemployment Insurance Fund for unemployment claims charged against its account. These amounts are recorded as expense when a bill is received from the State of Maryland Department of Labor, Licensing, and Regulation Division of Unemployment Insurance. No accrual for estimated unassessed reimbursements has been made since the amount charged to an employer's account is subject to complex rules and management believes any reimbursement to be assessed will not be material. Unemployment claims for fiscal years 2018 and 2017 were \$21,523 and \$23,142 respectively.

EMPLOYEE PENSION PLAN – DEFINED CONTRIBUTION

The Foundation provides a two percent employer pension contribution with a salary cap of \$100,000 per year. The two percent employer contribution is not a match but an across the board contribution to all full time employees who have been employed for one year or more. Both full time and part time employees are allowed to participate in the plan through payroll deductions. Employer contributions to the plan for the years ended June 30, 2018 and 2017 amounted to \$142,499 and \$138,379 respectively.

CONCENTRATION OF CREDIT RISK

At June 30, 2018, the Foundation received a substantial amount of its support from Medicaid and Medicare. A reduction in the level of this reimbursement, if this were to occur, may have an effect on the organization's activities.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimated revenue will change by a material amount in the near term.

The Foundation elected to be self-insured for employee health insurance up to a cap of about \$1.5 million. The Foundation's actual cost for the year ended June 30, 2018 and 2017 were \$1,335,504 and \$1,359,118 respectively.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

OPERATING LEASES

As of June 30, 2018, the Foundation had several non-cancelable operating lease agreements for the rental of various pieces of equipment expiring from 2018 to 2019. Minimum rentals, on an annual basis, are as follows:

	<u>Equipment</u>
Fiscal Year ending June 30, 2018	\$ 126,697
2019	<u>19,202</u>
	<u>\$ 145,899</u>

RISK MANAGEMENT

The Hospital is exposed to various risk of losses related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital has obtained coverage from commercial insurance companies for these risks. There were no significant reductions in insurance coverage from the prior year. No settlements exceeded insurance coverage in the past three fiscal years.

PRIOR PERIOD ADJUSTMENT

In 2017 the Hospital understated its depreciation. The adjustment to unrestricted net assets is as follows:

Unrestricted net assets at June 30, 2017, as previously reported	\$ 11,800,167
Adjustment for depreciation	<u>(49,758)</u>
Unrestricted net assets at June 30, 2018, as restated	<u>\$ 11,750,409</u>

In 2017 the Nursing Home understated its depreciation. The adjustment to unrestricted net assets is as follows:

Unrestricted net assets at June 30, 2017, as previously reported	\$ 1,420,146
Adjustment for depreciation	<u>(20,794)</u>
Unrestricted net assets at June 30, 2018, as restated	<u>\$ 1,399,352</u>

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

FAIR VALUE MEASUREMENT

The framework for measuring for fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs other than quoted prices included within Level 1, to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Investments maintained by the Community Foundation of the Eastern Shore: Valued at the reported fund balances by the CFES which represents the Endowment Fund's share in a portion of the total investments held by the CFES.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

FAIR VALUE MEASUREMENT (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Endowment Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

The following table sets forth by level, within the fair value hierarchy, the Endowment Fund's assets at fair value as of June 30, 2018 and 2017:

Assets Measured at Fair Value on a Recurring Basis June 30, 2018:

Description	Fair Value Measurement at Reporting Date			Total
	Using:			
	(Level 1)	(Level 2)	(Level 3)	
Investment maintained by CFES	\$	\$	\$ 253,244	\$ 253,244
Total	\$	\$	\$ 253,244	\$ 253,244

Assets Measured at Fair Value on a Recurring Basis June 30, 2017:

Description	Fair Value Measurement at Reporting Date			Total
	Using:			
	(Level 1)	(Level 2)	(Level 3)	
Investment maintained by CFES	\$	\$	\$ 230,838	\$ 230,838
Total	\$	\$	\$ 230,838	\$ 230,838

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

FAIR VALUE MEASUREMENT (Continued)

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets for the year ended June 30, 2018.

Assets measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3).

	Investment maintained by CFES	Total
Balance, beginning of year	\$ 230,828	\$ 230,828
Administration fees	(2,457)	(2,457)
Unrealized gain	24,873	24,873
Balance, end of year	\$ 253,244	\$ 253,244

NEW ACCOUNTING STANDARDS

FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The new standard is geared towards improving non-profit financial statements and to provide more useful information to users. Major changes include the classification of net assets in two classes, net assets with donor restrictions and net assets without donor restrictions, as opposed to the three classes currently used. In addition, additional information will be required to report on spendable financial resources. The new standard will be effective for the year ended June 30, 2019.

FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. The new guidance on leases will take effect for the year ended June 30, 2021.

SUPPLEMENTARY INFORMATION

THE MCCREADY FOUNDATION, INC.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS	2018					
	Hospital	Endowment	Assisted Living	Nursing Home	Eliminations	Total
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,216,700	\$ 8,010	\$ 22,476	\$ 31,491	\$	\$ 1,278,677
Certificates of deposit		202,830				202,830
Accounts receivable, net	3,134,016		67,962	1,047,157		4,249,135
Pledges receivable						
Inventories	355,547			30,420		385,967
Prepaid expenses	293,795			3,997		297,792
Total current assets	5,000,058	210,840	90,438	1,113,065		6,414,401
INVESTMENTS, AT FAIR VALUE						
Investments maintained by						
Community Foundation of the Eastern Shore		253,244				253,244
Total investments		253,244				253,244
PROPERTY AND EQUIPMENT						
Property and equipment	16,858,976		4,051,429	9,985,215		30,895,620
Less accumulated depreciation	(11,480,843)		(872,326)	(2,645,007)		(14,998,176)
Net property and equipment	5,378,133		3,179,103	7,340,208		15,897,444
OTHER ASSETS						
Due from affiliates	4,263,500	402,811		5,328,509	(9,994,820)	
Restricted patient funds				18,618		18,618
Total other assets	4,263,500	402,811		5,347,127	(9,994,820)	18,618
Total assets	\$ 14,641,691	\$ 866,895	\$ 3,269,541	\$ 13,800,400	\$ (9,994,820)	\$ 22,583,707

	2017					
	Hospital	Endowment	Assisted Living	Nursing Home	Eliminations	Total
CURRENT ASSETS						
Cash and cash equivalents	\$ 2,297,526	\$ 461,258	\$ 6,045	\$ 96,192	\$	\$ 2,861,021
Certificates of deposit		201,946				201,946
Accounts receivable, net	2,272,038		46,493	868,517		3,187,048
Pledges receivable		1,600				1,600
Inventories	350,706			18,764		369,470
Prepaid expenses	235,680			3,997		239,677
Total current assets	<u>5,155,950</u>	<u>664,804</u>	<u>52,538</u>	<u>987,470</u>		<u>6,860,762</u>
INVESTMENTS, AT FAIR VALUE						
Investments maintained by						
Community Foundation of the Eastern Shore		230,828				230,828
Total investments		<u>230,828</u>				<u>230,828</u>
PROPERTY AND EQUIPMENT						
Property and equipment	16,871,286		4,020,907	9,865,948		30,758,141
Less accumulated depreciation	(11,155,513)		(440,133)	(2,753,184)		(14,348,830)
Net property and equipment	<u>5,715,773</u>		<u>3,580,774</u>	<u>7,112,764</u>		<u>16,409,311</u>
OTHER ASSETS						
Due from affiliates	3,664,261			5,163,680	(8,827,941)	
Restricted patient funds				20,236		20,236
Total other assets	<u>3,664,261</u>			<u>5,183,916</u>	<u>(8,827,941)</u>	<u>20,236</u>
Total assets	<u>\$ 14,535,984</u>	<u>\$ 895,632</u>	<u>\$ 3,633,312</u>	<u>\$ 13,284,150</u>	<u>\$ (8,827,941)</u>	<u>\$ 23,521,137</u>

THE MCCREADY FOUNDATION, INC.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

LIABILITIES AND NET ASSETS

	2018					Total
	Hospital	Endowment	Assisted Living	Nursing Home	Eliminations	
CURRENT LIABILITIES						
Line of credit	\$ 86,206	\$	\$	\$	\$	\$ 86,206
Current portion of long-term debt	345,993			149,319		495,312
Accounts payable	1,316,858		3,204	378,945		1,699,007
Accrued salaries, annual leave and related taxes	686,782		32,888	276,390		996,060
Accrued interest	1,639			29,600		31,239
Medicare periodic interim payment program	123,244					123,244
Blue cross - advance	158,400					158,400
Assisted living deposits			2,413			2,413
Medicaid - advance	55,225			58,622		113,847
Total current liabilities	<u>2,774,347</u>		<u>38,505</u>	<u>892,876</u>		<u>3,705,728</u>
LONG - TERM DEBT						
Loan payable	403,702			8,633,158		9,036,860
Total non-current liabilities	<u>403,702</u>			<u>8,633,158</u>		<u>9,036,860</u>
OTHER LIABILITIES						
Due to affiliates	402,811	11,200	6,249,588	3,331,221	(9,994,820)	
Restricted patient funds				18,493		18,493
Total other liabilities	<u>402,811</u>	<u>11,200</u>	<u>6,249,588</u>	<u>3,349,714</u>	<u>(9,994,820)</u>	<u>18,493</u>
Total liabilities	<u>3,580,860</u>	<u>11,200</u>	<u>6,288,093</u>	<u>12,875,748</u>	<u>(9,994,820)</u>	<u>12,761,081</u>
NET ASSETS (DEFICIT)						
Unrestricted	11,060,832	855,695	(3,018,552)	924,652		9,822,627
Total net assets (deficit)	<u>11,060,832</u>	<u>855,695</u>	<u>(3,018,552)</u>	<u>924,652</u>		<u>9,822,627</u>
Total liabilities and net assets	<u>\$ 14,641,692</u>	<u>\$ 866,895</u>	<u>\$ 3,269,541</u>	<u>\$ 13,800,400</u>	<u>\$ (9,994,820)</u>	<u>\$ 22,583,708</u>

	2017					
	Hospital	Endowment	Assisted Living	Nursing Home	Eliminations	Total
CURRENT LIABILITIES						
Line of credit	\$ 101,236	\$	\$	\$	\$	\$ 101,236
Current portion of long-term debt	446,340			144,599		590,939
Accounts payable	669,441		3,030	195,477		867,948
Accrued salaries, annual leave and related taxes	600,528		36,004	233,050		869,582
Accrued interest	2,484			30,102		32,586
Medicare periodic interim payment program	49,419					49,419
Blue cross - advance	153,600					153,600
Medicaid - advance	125,864			60,768		186,632
Total current liabilities	<u>2,148,912</u>		<u>39,034</u>	<u>663,996</u>		<u>2,851,942</u>
LONG - TERM DEBT						
Loan payable	636,663			8,785,303		9,421,966
Total non-current liabilities	<u>636,663</u>			<u>8,785,303</u>		<u>9,421,966</u>
OTHER LIABILITIES						
Due to affiliates		65,388	6,337,703	2,424,850	(8,827,941)	
Restricted patient funds				10,649		10,649
Total other liabilities		<u>65,388</u>	<u>6,337,703</u>	<u>2,435,499</u>	<u>(8,827,941)</u>	<u>10,649</u>
Total liabilities	<u>2,785,575</u>	<u>65,388</u>	<u>6,376,737</u>	<u>11,884,798</u>	<u>(8,827,941)</u>	<u>12,284,557</u>
NET ASSETS (DEFICIT)						
Unrestricted, as restated	11,750,409	830,244	(2,743,425)	1,399,352		11,236,580
Total net assets (deficit), as restated	<u>11,750,409</u>	<u>830,244</u>	<u>(2,743,425)</u>	<u>1,399,352</u>		<u>11,236,580</u>
Total liabilities and net assets	<u>\$ 14,535,984</u>	<u>\$ 895,632</u>	<u>\$ 3,633,312</u>	<u>\$ 13,284,150</u>	<u>\$ (8,827,941)</u>	<u>\$ 23,521,137</u>

THE MCCREADY FOUNDATION, INC.

CONSOLIDATING STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2018 AND 2017

	2018				
	Hospital	Endowment	Assisted Living	Nursing Home	Total
OPERATING REVENUE	\$ 17,343,163	\$	\$ 810,784	\$ 6,168,175	\$ 24,322,122
EXPENSES					
Wages and benefits					
Salaries and wages	7,412,456		542,473	3,802,422	11,757,351
Payroll taxes	517,561		36,700	272,495	826,756
Employee benefits	1,086,553		45,002	554,809	1,686,364
Total wages and benefits	9,016,570		624,175	4,629,726	14,270,471
Direct expenses					
Professional service fees	2,101,558	2,463		63,143	2,167,164
Consumable supplies	1,551,484		165,207	616,627	2,333,318
Advertising and recruiting	126,790			6,169	132,959
Service contracts and maintenance	1,415,129			109,677	1,524,806
Leases and rentals	445,064		989	64,071	510,124
Depreciation expense	816,990		109,217	320,252	1,246,459
Utilities	411,569		34,484	150,414	596,467
Interest expense	87,694		135,138	280,240	503,072
Insurance	271,347		10,698	134,488	416,533
Other expenses	711,226		5,870	218,784	935,880
Bad debt expense	1,152,504		133	51,095	1,203,732
Total direct expenses	9,091,355	2,463	461,736	2,014,960	11,570,514
Total expenses	18,107,925	2,463	1,085,911	6,644,686	25,840,985
Operating loss	(764,762)	(2,463)	(275,127)	(476,511)	(1,518,863)
NONOPERATING INCOME	75,185	27,914		1,811	104,910
Change in net assets	(689,577)	25,451	(275,127)	(474,700)	(1,413,953)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	11,750,409	830,244	(2,743,425)	1,399,352	11,236,580
NET ASSETS, END OF YEAR	\$ 11,060,832	\$ 855,695	\$ (3,018,552)	\$ 924,652	\$ 9,822,627

	2017				
	Hospital	Endowment	Assisted Living	Nursing Home	Total
OPERATING REVENUE	\$ 15,793,531	\$	\$ 891,187	\$ 6,013,151	\$ 22,697,869
EXPENSES					
Wages and benefits					
Salaries and wages	7,161,287		514,681	3,152,174	10,828,142
Payroll taxes	507,947		33,484	238,059	779,490
Employee benefits	1,120,856		52,187	572,094	1,745,137
Total wages and benefits	8,790,090		600,352	3,962,327	13,352,769
Direct expenses					
Professional service fees	2,111,103	3,396	2,800	97,608	2,214,907
Consumable supplies	1,278,439		173,825	586,373	2,038,637
Advertising and recruiting	98,702		411	899	100,012
Service contracts and maintenance	831,907		427	131,297	963,631
Leases and rentals	464,862		1,003	74,580	540,445
Depreciation expense	992,657		91,464	380,679	1,464,800
Utilities	446,378		38,704	148,363	633,445
Interest expense	93,383		123,709	303,292	520,384
Insurance	302,760		18,736	168,062	489,558
Other expenses	558,614		5,986	162,758	727,358
Bad debt expense	645,702		11,095	51,880	708,677
Total direct expenses	7,824,507	3,396	468,160	2,105,791	10,401,854
Total expenses	16,614,597	3,396	1,068,512	6,068,118	23,754,623
Operating loss	(821,066)	(3,396)	(177,325)	(54,967)	(1,056,754)
NONOPERATING INCOME	139,638	31,794		10,575	182,007
Change in net assets	(681,428)	28,398	(177,325)	(44,392)	(874,747)
NET ASSETS, BEGINNING OF YEAR	12,431,837	801,846	(2,566,100)	1,443,744	12,111,327
NET ASSETS, END OF YEAR, AS RESTATED	\$ 11,750,409	\$ 830,244	\$ (2,743,425)	\$ 1,399,352	\$ 11,236,580

THE MCCREADY FOUNDATION, INC.

**STATEMENTS OF ACTIVITY BY ORGANIZATION
MCCREADY MEMORIAL HOSPITAL**

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Regulated revenue		
Total inpatient revenue	\$ 2,634,026	\$ 3,269,905
Total outpatient revenue	13,433,493	13,865,848
Gross regulated revenue	16,067,519	17,135,753
Less allowances	(1,822,583)	(2,578,161)
Less charity care	(290,760)	(303,372)
Net regulated revenue	13,954,176	14,254,220
Unregulated revenue		
Professional fees	4,101,074	2,250,473
Other services	8,496	7,927
Gross unregulated revenue	4,109,570	2,258,400
Less: allowances	(864,232)	(933,385)
Less: charity care	(35,244)	(3,833)
Net unregulated revenue	3,210,094	1,321,182
Other operating revenue	178,893	218,129
Operating revenue	17,343,163	15,793,531
EXPENSES		
Wages and benefits		
Salaries and wages	7,412,456	7,161,287
Payroll taxes	517,561	507,947
Employee benefits	1,086,553	1,120,856
Total wages and benefits	9,016,570	8,790,090
Direct expenses		
Professional service fees	2,101,558	2,111,103
Consumable supplies	1,551,484	1,278,439
Advertising & Recruiting	126,790	98,702
Service contracts and maintenance	1,415,129	831,907
Leases and rentals	445,064	464,862
Depreciation expense	816,990	992,657
Utilities	411,569	446,378
Interest expense	87,694	93,383
Insurance	271,347	302,760
Other expenses	711,226	558,614
Bad debt expense	1,152,504	645,702
Total direct expenses	9,091,355	7,824,507
Total expenses	18,107,925	16,614,597
Operating loss	(764,762)	(821,066)
Nonoperating income	75,185	139,638
Net loss	\$ (689,577)	\$ (681,428)

THE MCCREADY FOUNDATION, INC.

**STATEMENTS OF ACTIVITY BY ORGANIZATION
ENDOWMENT**

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING EXPENSES		
Direct expenses		
Professional service fees	<u>2,463</u>	<u>3,396</u>
Total direct expenses	<u>2,463</u>	<u>3,396</u>
Total expenses	<u>2,463</u>	<u>3,396</u>
Operating loss	(2,463)	(3,396)
Nonoperating income	<u>27,914</u>	<u>31,794</u>
Net income	<u>\$ 25,451</u>	<u>\$ 28,398</u>

THE MCCREADY FOUNDATION, INC.

**STATEMENTS OF ACTIVITY BY ORGANIZATION
CHESAPEAKE COVE ASSISTED LIVING**

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Room and board	810,784	891,187
Operating revenue	810,784	891,187
EXPENSES		
Wages and benefits		
Salaries and wages	542,473	514,681
Payroll taxes	36,700	33,484
Employee benefits	45,002	52,187
Total wages and benefits	624,175	600,352
Direct expenses		
Professional service fees		2,800
Consumable supplies	165,207	173,825
Advertising		411
Service contracts and maintenance		427
Leases and rentals	989	1,003
Depreciation expense	109,217	91,464
Utilities	34,484	38,704
Interest expense	135,138	123,709
Insurance	10,698	18,736
Other expenses	5,870	5,986
Bad debt	133	11,095
Total direct expenses	461,736	468,160
Total expenses	1,085,911	1,068,512
Operating loss	(275,127)	(177,325)
Net loss	\$ (275,127)	\$ (177,325)

THE MCCREADY FOUNDATION, INC.

**STATEMENTS OF ACTIVITY BY ORGANIZATION
ALICE B. TAWES NURSING HOME**

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Patient revenue		
Room and board	6,745,224	6,598,173
Ancillary services	955,686	866,528
Allowances	(1,636,877)	(1,500,108)
Net patient revenue	6,064,033	5,964,593
Dietary income	38,968	48,558
Other operating revenue	65,174	
Operating revenue	6,168,175	6,013,151
 EXPENSES		
Wages and benefits		
Salaries and wages	3,802,422	3,152,174
Payroll taxes	272,495	238,059
Employee benefits	554,809	572,094
Total wages and benefits	4,629,726	3,962,327
 Direct expenses		
Professional service fees	63,143	97,608
Consumable supplies	616,627	586,373
Advertising & Recruiting	6,169	899
Service contracts and maintenance	109,677	131,297
Leases and rentals	64,071	74,580
Depreciation expense	320,252	380,679
Utilities	150,414	148,363
Interest expense	280,240	303,292
Insurance	134,488	168,062
Other expenses	218,784	162,758
Bad debt expense	51,095	51,880
Total direct expenses	2,014,960	2,105,791
Total expenses	6,644,686	6,068,118
 Operating loss	(476,511)	(54,967)
 Nonoperating income	1,811	10,575
 Net loss	\$ (474,700)	\$ (44,392)