

Form **990**

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

OMB No. 1545-0047

2015

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Do not enter social security numbers on this form as it may be made public.
▶ Information about Form 990 and its instructions is at www.irs.gov/form990.

A For the 2015 calendar year, or tax year beginning **JUL 1, 2015** and ending **JUN 30, 2016**

B Check if applicable:	C Name of organization MCCREADY FOUNDATION INC.	D Employer identification number 52-0607921
Address change	Doing business as	E Telephone number 410-968-1200
Name change	Number and street (or P.O. box if mail is not delivered to street address) Room/suite 201 HALL HIGHWAY	
Initial return	City or town, state or province, country, and ZIP or foreign postal code CRISFIELD, MD 21817	G Gross receipts \$ 22,285,123.
Final return/terminated	F Name and address of principal officer: CAMESHA GIDDINS 201 HALL HIGHWAY, CRISFIELD, MD 21817	H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Amended return		H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)
Application pending	I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	H(c) Group exemption number ▶
J Website: ▶ WWW.MCCREADYHEALTH.ORG		K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶
L Year of formation: 1923		M State of legal domicile: MD

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: HOSPITAL, NURSING HOME, AND ASSISTED LIVING FACILITY		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	15
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	15
	5	Total number of individuals employed in calendar year 2015 (Part V, line 2a)	5	347
	6	Total number of volunteers (estimate if necessary)	6	0
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0.	
Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year 756,313.	Current Year 451,823.
	9	Program service revenue (Part VIII, line 2g)	20,955,578.	21,797,811.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	7,627.	33,209.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,600.	2,280.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	21,723,118.	22,285,123.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.	0.
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	11,352,150.	13,154,039.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	10,821,087.	10,257,916.
18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	22,173,237.	23,411,955.	
19	Revenue less expenses. Subtract line 18 from line 12	-450,119.	-1,126,832.	
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	Beginning of Current Year 26,276,311.	End of Year 24,192,141.
	21	Total liabilities (Part X, line 26)	12,654,398.	12,080,814.
	22	Net assets or fund balances. Subtract line 21 from line 20	13,621,913.	12,111,327.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	▶ Signature of officer CAMESHA GIDDINS, CFO	Date	
	Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name ANDREW M. HAYNIE, CPA	Preparer's signature	Date 2/7/17
	Firm's name ▶ PKS & COMPANY, P.A.	Firm's EIN ▶ 52-1224986	Check if self-employed <input type="checkbox"/>
	Firm's address ▶ 1801 SWEETBAY DRIVE SALISBURY, MD 21804	Phone no. (410) 546-5600	PTIN P00440764

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III [X]

1 Briefly describe the organization's mission: HOSPITAL, NURSING HOME, AND ASSISTED LIVING FACILITY

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [] Yes [X] No

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [] Yes [X] No

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses.

4a (Code:) (Expenses \$ 16,330,199. including grants of \$) (Revenue \$ 15,631,065.) MCCREADY MEMORIAL HOSPITAL

4b (Code:) (Expenses \$ 6,095,011. including grants of \$) (Revenue \$ 5,871,156.) ALICE BYRD TAWES NURSING HOME

4c (Code:) (Expenses \$ 983,237. including grants of \$) (Revenue \$ 777,306.) CHESAPEAKE COVE ASSISTED LIVING FACILITY

4d Other program services (Describe in Schedule O.) (Expenses \$ 3,508. including grants of \$) (Revenue \$ 5,596.)

4e Total program service expenses 23,411,955.

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?		X
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		X
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		X
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>		X
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	X	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	X	
b Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		X
c Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		X
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>		X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	X	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	X	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i>		X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X

Part IV Checklist of Required Schedules (continued)

	Yes	No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>		X
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		X
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If "Yes," complete Schedule L, Part II</i>		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		X
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>		X
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

Note. All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

Input box for Schedule O response

Main table with columns for question numbers (1a-14b), Yes/No, and numerical answers (41, 0, 347, etc.). Includes questions about backup withholding, employee reporting, foreign accounts, and charitable contributions.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6	Did the organization have members or stockholders?		X
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		X
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
8a	The governing body?	X	
8b	Each committee with authority to act on behalf of the governing body?	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		X
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	X	
13	Did the organization have a written whistleblower policy?	X	
14	Did the organization have a written document retention and destruction policy?		X
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official		X
15b	Other officers or key employees of the organization		X
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed **MD**
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records: **THE ORGANIZATION - 410-968-1200**
201 HALL HIGHWAY, CRISFIELD, MD 21817

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response or note to any line in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) MR. MICHAEL HALL SECRETARY	10.00	X		X				0.	0.	0.
(2) MR. PERCY J. PURNELL CHAIRMAN	10.00	X		X				0.	0.	0.
(3) DR. RONDALL ALLEN DIRECTOR	10.00	X						0.	0.	0.
(4) MR. JOHN PHOEBUS DIRECTOR	10.00	X						0.	0.	0.
(5) MS. KAREN KITCHING DIRECTOR	10.00	X						0.	0.	0.
(6) MR. SAM DAVIS 1ST CHAIR	10.00	X		X				0.	0.	0.
(7) MR. RUSS BLAKE 2ND VICE CHAIR	10.00	X		X				0.	0.	0.
(8) MS. LESLIE WILSON DIRECTOR	10.00	X						0.	0.	0.
(9) MR. HOWARD CROSSAN DIRECTOR	10.00	X						0.	0.	0.
(10) DR. LLOYD TYLER DIRECTOR	10.00	X						0.	0.	0.
(11) STEPHEN MCDANIEL DIRECTOR	10.00	X						0.	0.	0.
(12) JOHN HICKMAN DIRECTOR	10.00	X						0.	0.	0.
(13) MS. JENNY TAWES DIRECTOR	10.00	X						0.	0.	0.
(14) DR. VIJAY KARUMBUNATHAN DOCTOR	40.00					X		334,098.	0.	0.
(15) JOY A STRAND CEO	40.00					X		170,970.	0.	0.
(16) DR. MICHAEL ATKINS DOCTOR	40.00					X		174,822.	0.	0.
(17) DR. BARNES DOCTOR	40.00					X		294,640.	0.	0.

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512 - 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a						
	b Membership dues	1b						
	c Fundraising events	1c						
	d Related organizations	1d						
	e Government grants (contributions)	1e	406,632.					
	f All other contributions, gifts, grants, and similar amounts not included above	1f	45,191.					
	g Noncash contributions included in lines 1a-1f: \$							
	h Total. Add lines 1a-1f			451,823.				
Program Service Revenue	2 a HOSPITAL & NURSING HOME & ASSITED	Business Code	622000	21,797,811.	21,797,811.			
	b							
	c							
	d							
	e							
	f All other program service revenue							
	g Total. Add lines 2a-2f			21,797,811.				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			33,209.	33,209.			
	4 Income from investment of tax-exempt bond proceeds							
	5 Royalties							
	6 a Gross rents	(i) Real	(ii) Personal					
		b Less: rental expenses						
		c Rental income or (loss)						
		d Net rental income or (loss)						
	7 a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other					
		b Less: cost or other basis and sales expenses						
		c Gain or (loss)						
		d Net gain or (loss)						
	8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a						
		b Less: direct expenses	b					
		c Net income or (loss) from fundraising events						
	9 a Gross income from gaming activities. See Part IV, line 19	a						
b Less: direct expenses		b						
c Net income or (loss) from gaming activities								
10 a Gross sales of inventory, less returns and allowances	a							
	b Less: cost of goods sold	b						
	c Net income or (loss) from sales of inventory							
Miscellaneous Revenue			Business Code					
11 a GAIN FROM SALE OF ASSETS			622000	2,280.	2,280.			
	b							
	c							
	d All other revenue							
	e Total. Add lines 11a-11d			2,280.				
12 Total revenue. See instructions.				22,285,123.	21,833,300.	0.	0.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21				
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	10,665,388.	10,665,388.		
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	121,136.	121,136.		
9 Other employee benefits	1,607,431.	1,607,431.		
10 Payroll taxes	760,084.	760,084.		
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting	43,570.	43,570.		
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	1,883,589.	1,883,589.		
12 Advertising and promotion	131,074.	131,074.		
13 Office expenses	23,908.	23,908.		
14 Information technology				
15 Royalties				
16 Occupancy	535,634.	535,634.		
17 Travel	67,162.	67,162.		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	478,051.	478,051.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	1,366,485.	1,366,485.		
23 Insurance	423,511.	423,511.		
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a SUPPLIES	2,126,876.	2,126,876.		
b SERVICE CONTRACTS AND M	1,095,243.	1,095,243.		
c BAD DEBT	806,090.	806,090.		
d LEASE AND RENTALS	538,193.	538,193.		
e All other expenses	738,530.	738,530.		
25 Total functional expenses. Add lines 1 through 24e	23,411,955.	23,411,955.	0.	0.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here if following SOP 98-2 (ASC 958-720)

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	4,611,050.	1	3,428,220.
	2 Savings and temporary cash investments	181,621.	2	176,359.
	3 Pledges and grants receivable, net	2,300.	3	1,600.
	4 Accounts receivable, net	2,917,509.	4	2,726,283.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	344,102.	8	316,065.
	9 Prepaid expenses and deferred charges	263,090.	9	231,435.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 31,736,658.		
	b Less: accumulated depreciation	10b 14,644,544.	17,719,994.	10c 17,092,114.
	11 Investments - publicly traded securities		11	
	12 Investments - other securities. See Part IV, line 11	210,540.	12	206,557.
	13 Investments - program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	26,105.	15	13,508.
16 Total assets. Add lines 1 through 15 (must equal line 34)	26,276,311.	16	24,192,141.	
Liabilities	17 Accounts payable and accrued expenses	2,012,148.	17	1,677,032.
	18 Grants payable		18	
	19 Deferred revenue	218,595.	19	191,584.
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties	10,335,023.	23	10,196,355.
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	88,632.	25	15,843.
	26 Total liabilities. Add lines 17 through 25	12,654,398.	26	12,080,814.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	13,621,913.	27	12,111,327.
	28 Temporarily restricted net assets		28	
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	13,621,913.	33	12,111,327.	
34 Total liabilities and net assets/fund balances	26,276,311.	34	24,192,141.	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	22,285,123.
2	Total expenses (must equal Part IX, column (A), line 25)	2	23,411,955.
3	Revenue less expenses. Subtract line 2 from line 1	3	-1,126,832.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	13,621,913.
5	Net unrealized gains (losses) on investments	5	-2,052.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	-381,702.
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	12,111,327.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? _____ If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
2b	Were the organization's financial statements audited by an independent accountant? _____ If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
2c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? _____ If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? _____		X
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits _____		

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2011	(b) 2012	(c) 2013	(d) 2014	(e) 2015	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge ...						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4.						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2011	(b) 2012	(c) 2013	(d) 2014	(e) 2015	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources ...						
9 Net income from unrelated business activities, whether or not the business is regularly carried on ...						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2015 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2014 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2015. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 33 1/3% support test - 2014. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
17a 10% -facts-and-circumstances test - 2015. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 10% -facts-and-circumstances test - 2014. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions		<input type="checkbox"/>

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2011	(b) 2012	(c) 2013	(d) 2014	(e) 2015	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2011	(b) 2012	(c) 2013	(d) 2014	(e) 2015	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

15 Public support percentage for 2015 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2014 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2015 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2014 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2015. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization

b 33 1/3% support tests - 2014. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

Part IV Supporting Organizations

(Complete only if you checked a box in line 11 on Part I. If you checked 11a of Part I, complete Sections A and B. If you checked 11b of Part I, complete Sections A and C. If you checked 11c of Part I, complete Sections A, D, and E. If you checked 11d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No" describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i>		
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 11a or 11b in Part I, answer (b) and (c) below.</i>		
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i>		
b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

Part IV Supporting Organizations (continued)

	Yes	No
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?		
b A family member of a person described in (a) above?		
c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI .		

Section B. Type I Supporting Organizations

	Yes	No
1 Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.		
2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.		

Section C. Type II Supporting Organizations

	Yes	No
1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).		

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).		
3 By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.		

Section E. Type III Functionally-Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions):			
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).			
2 Activities Test. Answer (a) and (b) below.		Yes	No
a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.			
b Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.			
3 Parent of Supported Organizations. Answer (a) and (b) below.			
a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in Part VI .			
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in Part VI the role played by the organization in this regard.			

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

- 1 Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970. **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	Adjusted Net Income (subtract lines 5, 6 and 7 from line 4)	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	Total (add lines 1a, 1b, and 1c)	1d	
e	Discount claimed for blockage or other factors (explain in detail in Part VI):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d	3	
4	Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by .035	6	
7	Recoveries of prior-year distributions	7	
8	Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount			Current Year
1	Adjusted net income for prior year (from Section A, line 8, Column A)	1	
2	Enter 85% of line 1	2	
3	Minimum asset amount for prior year (from Section B, line 8, Column A)	3	
4	Enter greater of line 2 or line 3	4	
5	Income tax imposed in prior year	5	
6	Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions)	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally-integrated Type III supporting organization (see instructions).		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions	Current Year
1 Amounts paid to supported organizations to accomplish exempt purposes	
2 Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3 Administrative expenses paid to accomplish exempt purposes of supported organizations	
4 Amounts paid to acquire exempt-use assets	
5 Qualified set-aside amounts (prior IRS approval required)	
6 Other distributions (describe in Part VI). See instructions.	
7 Total annual distributions. Add lines 1 through 6.	
8 Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	
9 Distributable amount for 2015 from Section C, line 6	
10 Line 8 amount divided by Line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2015	(iii) Distributable Amount for 2015
1 Distributable amount for 2015 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2015 (reasonable cause required-see instructions)			
3 Excess distributions carryover, if any, to 2015:			
a			
b			
c			
d From 2013			
e From 2014			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2015 distributable amount			
i Carryover from 2010 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2015 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2015 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2015, if any. Subtract lines 3g and 4a from line 2 (if amount greater than zero, see instructions).			
6 Remaining underdistributions for 2015. Subtract lines 3h and 4b from line 1 (if amount greater than zero, see instructions).			
7 Excess distributions carryover to 2016. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a			
b			
c Excess from 2013			
d Excess from 2014			
e Excess from 2015			

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.**
▶ **Attach to Form 990.**

▶ **Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No. 1545-0047

2015

Open to Public Inspection

Name of the organization MCCREADY FOUNDATION INC. **Employer identification number** 52-0607921

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate value of contributions to (during year)		
3 Aggregate value of grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II Conservation Easements. Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).
 Preservation of land for public use (e.g., recreation or education) Preservation of a historically important land area
 Protection of natural habitat Preservation of a certified historic structure
 Preservation of open space

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶ \$ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenue included on Form 990, Part VIII, line 1

(ii) Assets included in Form 990, Part X

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenue included on Form 990, Part VIII, line 1

b Assets included in Form 990, Part X

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a Public exhibition
- b Scholarly research
- c Preservation for future generations
- d Loan or exchange programs
- e Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
c Beginning balance	1c
d Additions during the year	1d
e Distributions during the year	1e
f Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? Yes No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

Part V Endowment Funds. Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	801,810.	823,062.	780,734.	705,091.	1,194,880.
b Contributions	4,191.	4,702.	8,850.	55,009.	7,415.
c Net investment earnings, gains, and losses	-647.	-25.	36,944.	20,634.	-245.
d Grants or scholarships					
e Other expenditures for facilities and programs					496,959.
f Administrative expenses	3,508.	25,929.	3,466.		
g End of year balance	801,846.	801,810.	823,062.	780,734.	705,091.

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a Board designated or quasi-endowment _____ %
- b Permanent endowment _____ %
- c Temporarily restricted endowment _____ %

The percentages on lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
(i) unrelated organizations		X
(ii) related organizations		X
b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?	3b	

4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings	23,483,511.		7,979,707.	15,503,804.
c Leasehold improvements				
d Equipment	8,253,147.		6,664,837.	1,588,310.
e Other				
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				17,092,114.

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) RESTRICTED PATIENT FUNDS	13,507.
(3) MEDICARE PERIODIC INTERIM PAYMENT	2,336.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	15,843.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	22,285,123.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains (losses) on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII.)	2d	
e	Add lines 2a through 2d	2e	0.
3	Subtract line 2e from line 1	3	22,285,123.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b	4c	0.
5	Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.)	5	22,285,123.

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements	1	23,411,955.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII.)	2d	
e	Add lines 2a through 2d	2e	0.
3	Subtract line 2e from line 1	3	23,411,955.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b	4c	0.
5	Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.)	5	23,411,955.

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

PART X, LINE 2:

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.

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

Part XIII Supplemental Information *(continued)*

ON VARIOUS TAX EXPOSURE ITEMS. AS OF JUNE 30, 2015, 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.

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2015

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, question 20.
- ▶ Attach to Form 990.
- ▶ Information about Schedule H (Form 990) and its instructions is at www.irs.gov/form990.

Open to Public Inspection

Name of the organization **MCCREADY FOUNDATION INC.** Employer identification number **52-0607921**

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	<input checked="" type="checkbox"/>	
b If "Yes," was it a written policy?	<input checked="" type="checkbox"/>	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care:	<input checked="" type="checkbox"/>	
<input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care:	<input checked="" type="checkbox"/>	
<input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	<input checked="" type="checkbox"/>	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		<input checked="" type="checkbox"/>
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a Did the organization prepare a community benefit report during the tax year?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization make it available to the public?	<input checked="" type="checkbox"/>	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
Financial Assistance and Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)	1	175	190,215.		190,215.	.81%
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs	1	175	190,215.		190,215.	.81%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		312	9,108.		9,108.	.04%
f Health professions education (from Worksheet 5)		639	17,598.		17,598.	.08%
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total. Other Benefits		951	26,706.		26,706.	.12%
k Total. Add lines 7d and 7j	1	1,126	216,921.		216,921.	.93%

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Name of hospital facility or letter of facility reporting group THE EDWARD W. MCCREADY MEMORIAL HOSPITAL

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 3

	Yes	No
Community Health Needs Assessment		
1 Was the hospital facility first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year?	1	X
2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C	2	X
3 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 12	3	X
If "Yes," indicate what the CHNA report describes (check all that apply):		
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The significant health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input checked="" type="checkbox"/> Other (describe in Section C)		
4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>15</u>		
5 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	5	X
6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C	6a	X
b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C	6b	X
7 Did the hospital facility make its CHNA report widely available to the public?	7	X
If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>WWW.MCCREADYHEALTH.ORG</u>		
b <input type="checkbox"/> Other website (list url): _____		
c <input checked="" type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility		
d <input type="checkbox"/> Other (describe in Section C)		
8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11	8	X
9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>15</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	10	X
a If "Yes," (list url): _____		
b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return?	10b	X
11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed.		
12a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	12a	X
b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax?	12b	
c If "Yes" to line 12b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V Facility Information (continued)

Financial Assistance Policy (FAP)

Name of hospital facility or letter of facility reporting group THE EDWARD W. MCCREADY MEMORIAL HOSPITAL

	Yes	No
<p>Did the hospital facility have in place during the tax year a written financial assistance policy that:</p> <p>13 Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care?</p> <p>If "Yes," indicate the eligibility criteria explained in the FAP:</p> <p>a <input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>150</u> % and FPG family income limit for eligibility for discounted care of <u>250</u> %</p> <p>b <input checked="" type="checkbox"/> Income level other than FPG (describe in Section C)</p> <p>c <input type="checkbox"/> Asset level</p> <p>d <input type="checkbox"/> Medical indigency</p> <p>e <input type="checkbox"/> Insurance status</p> <p>f <input type="checkbox"/> Underinsurance status</p> <p>g <input type="checkbox"/> Residency</p> <p>h <input type="checkbox"/> Other (describe in Section C)</p>	X	
14 Explained the basis for calculating amounts charged to patients?	X	
15 Explained the method for applying for financial assistance?	X	
<p>If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):</p> <p>a <input type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application</p> <p>b <input type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application</p> <p>c <input type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process</p> <p>d <input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications</p> <p>e <input type="checkbox"/> Other (describe in Section C)</p>		
16 Included measures to publicize the policy within the community served by the hospital facility?	X	
<p>If "Yes," indicate how the hospital facility publicized the policy (check all that apply):</p> <p>a <input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>WWW.MCCREADYHEALTH.ORG</u></p> <p>b <input type="checkbox"/> The FAP application form was widely available on a website (list url): _____</p> <p>c <input type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): _____</p> <p>d <input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)</p> <p>e <input type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)</p> <p>f <input type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)</p> <p>g <input type="checkbox"/> Notice of availability of the FAP was conspicuously displayed throughout the hospital facility</p> <p>h <input type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP</p> <p>i <input type="checkbox"/> Other (describe in Section C)</p>		

Billing and Collections

17 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained all of the actions the hospital facility or other authorized party may take upon non-payment?	X	
18 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:		
a <input checked="" type="checkbox"/> Reporting to credit agency(ies)		
b <input type="checkbox"/> Selling an individual's debt to another party		
c <input checked="" type="checkbox"/> Actions that require a legal or judicial process		
d <input type="checkbox"/> Other similar actions (describe in Section C)		
e <input type="checkbox"/> None of these actions or other similar actions were permitted		

Part V Facility Information (continued)

Name of hospital facility or letter of facility reporting group THE EDWARD W. MCCREADY MEMORIAL HOSPITAL

		Yes	No
19	Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	X	
If "Yes," check all actions in which the hospital facility or a third party engaged:			
a	<input checked="" type="checkbox"/> Reporting to credit agency(ies)		
b	<input type="checkbox"/> Selling an individual's debt to another party		
c	<input checked="" type="checkbox"/> Actions that require a legal or judicial process		
d	<input type="checkbox"/> Other similar actions (describe in Section C)		
20	Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply):		
a	<input checked="" type="checkbox"/> Notified individuals of the financial assistance policy on admission		
b	<input type="checkbox"/> Notified individuals of the financial assistance policy prior to discharge		
c	<input checked="" type="checkbox"/> Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills		
d	<input checked="" type="checkbox"/> Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy		
e	<input type="checkbox"/> Other (describe in Section C)		
f	<input type="checkbox"/> None of these efforts were made		

Policy Relating to Emergency Medical Care

21	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	X	
If "No," indicate why:			
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)		
d	<input type="checkbox"/> Other (describe in Section C)		

Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)

22	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Section C)		
23	During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?		X
If "Yes," explain in Section C.			
24	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?		X
If "Yes," explain in Section C.			

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2" "B, 3," etc.) and name of hospital facility.

THE EDWARD W. MCCREADY MEMORIAL HOSPITAL:

PART V, SECTION B, LINE 3J: MCCREADY'S STAFF MEMBERS MEET WITH LOCAL SCHOOLS AND HEALTH DEPARTMENTS REGULARLY TO DISCUSS HEALTH NEEDS IN THE LOCAL COMMUNITY. IN 2005, THE MCCREADY FOUNDATION WAS INVOLVED WITH A CONSORTIUM OF AREA HEALTH CARE PROVIDERS WHICH INCLUDED ALL THREE AREA HOSPITALS (MCCREADY, PENINSULA REGIONAL MEDICAL CENTER, AND ATLANTIC GENERAL HOSPITAL), LOCAL HEALTH DEPARTMENTS, AS WELL AS AREA SCHOOLS AND OTHER AGENCIES. THE TEAM DEVELOPED THE TRI-COUNTY SURVEY THAT WAS SENT TO LOWER SHORE RESIDENTS. THE RESULTS OF THE SURVEY WERE USED TO IDENTIFY HEALTH CARE NEEDS IN THE TRI-COUNTY AREA (WICOMICO, WORCESTER, AND SOMERSET) AND PROGRAMS WERE DEVELOPED IN RESPONSE TO THAT SURVEY. THE STUDY IDENTIFIED THE FOLLOWING MEDICAL CONDITIONS TO BE THE MOST PREVALENT IN THE COMMUNITY: DIABETES, HEART AND LUNG DISEASE, CANCER, OBESITY AND METABOLIC SYNDROME. A 2009 SURVEY WAS CONDUCTED BY THE SAME STAKEHOLDERS PARTICIPATING IN THE 2005 STUDY TO ADDRESS ANT POTENTIALLY NEW AREAS OF CONCERN IN THE COMMUNITY. AS THE NEW FINDINGS DEVELOPED, MCCREADY'S MEDICAL AND NURSING STAFFS WORKED WITH THE FOUNDATION'S LEADERSHIP TO DETERMIN WHICH COMMUNITYNEEDS MCCREADY COULD HELP ADDRESS. THE MCCREADY FOUNDATION CONTINUED ITS WORK WITH THE SOMERSET COUNTY HEALTH DEPARTMENT TO IDENTIFY MEDICALLY INDEGENT WOMEN IN THE COMMUNITY AND PROVIDE THEM WITH FREE PREVENTIVE WOMEN'S HEALTH SERVICES. THE PROGRAM PROVIDES FREE MAMMOGRAMS, SCREENING SURGERY, IF NECESSARY. THE PROGRAM IS PARTIALLY FUNDED THROUGH A GRANT RECEIVED BY THE HEALTH DEPARTMENT. ALSO IN CONJUNCTION WITH THE HEALTH DEPARTMENT, MCCREADY PROVIDES COLORECTAL SCREENINGS.

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2" "B, 3," etc.) and name of hospital facility.

THE EDWARD W. MCCREADY MEMORIAL HOSPITAL:

PART V, SECTION B, LINE 5: SAME ANSWER AS PART V SECTION B1J.

THE EDWARD W. MCCREADY MEMORIAL HOSPITAL:

PART V, SECTION B, LINE 6A: PENINSULA REGIONAL MEDICAL CENTER , ATLANTIC GENERAL HOSPITAL, AS WELL AS LOCAL HEALTH DEPARTMENTS.

THE EDWARD W. MCCREADY MEMORIAL HOSPITAL:

PART V, SECTION B, LINE 22D: HSCRC

**SCHEDULE J
(Form 990)**

Compensation Information

OMB No. 1545-0047

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

2015

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.

▶ Attach to Form 990.

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization

MCCREADY FOUNDATION INC.

Employer identification number

52-0607921

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|---|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input checked="" type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|--|---|
| <input type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.

5 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
- b** Any related organization?
- If "Yes" to line 5a or 5b, describe in Part III.

6 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
- b** Any related organization?
- If "Yes" on line 6a or 6b, describe in Part III.

7 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described on lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b		X
2	X	
4a		X
4b		X
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2015

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note: The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) DR. VIJAY KARUMBUNATHAN DOCTOR	(i) 334,098. (ii) 0.	0.	0.	0.	0.	334,098.	0.
(2) JOY A STRAND CEO	(i) 170,970. (ii) 0.	0.	0.	0.	0.	170,970.	0.
(3) DR. MICHAEL ATKINS DOCTOR	(i) 174,822. (ii) 0.	0.	0.	0.	0.	174,822.	0.
(4) DR. BARNES DOCTOR	(i) 294,640. (ii) 0.	0.	0.	0.	0.	294,640.	0.
(5) DR. NAGY DOCTOR	(i) 224,554. (ii) 0.	0.	0.	0.	0.	224,554.	0.
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

PART I, LINE 1A:

PART I LINE 1B BONUSES ARE GROSSED UP. THERE IS NO WRITTEN POLICY REGARDING THIS PRACTICE IT IS A TRADITIONAL POLICY TO QUOTE A SET AMOUNT AND GROSS IT UP SO THE PARTY WILL NET THE SAME AMOUNT.

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2015

Open to Public
Inspection

Name of the organization

MCCREADY FOUNDATION INC.

Employer identification number

52-0607921

FORM 990, PART III, LINE 4D, OTHER PROGRAM SERVICES:

ENDOWMENT

EXPENSES \$ 3,508. INCLUDING GRANTS OF \$ 0. REVENUE \$ 5,596.

FORM 990, PART VI, SECTION B, LINE 11:

THE BOARD REVIEWS THE 990 PRIOR TO FILING.

FORM 990, PART VI, SECTION B, LINE 12C:

ANY ISSUE WHICH COULD CAUSE A CONFLICT OF INTEREST IS REVIEWED BY THE BOARD
WITH THE EXCLUSION OF THE AFFECTED PARTY.

FORM 990, PART VI, SECTION C, LINE 19:

UPON REQUEST

FORM 990, PART XII, LINE 2C

THE BOARD OVERSEES THE AUDIT REVIEW PROCESS

Application for Extension of Time To File an Exempt Organization Return

Department of the Treasury
Internal Revenue Service

▶ **File a separate application for each return.**
▶ **Information about Form 8868 and its instructions is at www.irs.gov/form8868.**

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box **X**
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Electronic filing (e-file) . You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile and click on *e-file for Charities & Nonprofits*.

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Enter filer's identifying number

Type or print <small>File by the due date for filing your return. See instructions.</small>	Name of exempt organization or other filer, see instructions. MCCREADY FOUNDATION INC.	Employer identification number (EIN) or 52-0607921
	Number, street, and room or suite no. If a P.O. box, see instructions. 201 HALL HIGHWAY	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. CRISFIELD, MD 21817	

Enter the Return code for the return that this application is for (file a separate application for each return)

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

THE ORGANIZATION

- The books are in the care of ▶ **201 HALL HIGHWAY - CRISFIELD, MD 21817**
Telephone No. ▶ **410-968-1200** Fax No. ▶ _____
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until **FEBRUARY 15, 2017**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ calendar year _____ or
▶ tax year beginning **JUL 1, 2015**, and ending **JUN 30, 2016**.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return Change in accounting period

3a If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	0.
b If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	0.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	0.

Caution. If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

Electronic Filing PDF Attachment

THE MCCREADY FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

THE MCCREADY FOUNDATION, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6 - 19
SUPPLEMENTARY INFORMATION	
Consolidating statements of financial position	20 - 21
Consolidating statements of activities	22
Statements of activities by Organization	
McCready Memorial Hospital	23 – 24
Endowment	25
Chesapeake Cove Assisted Living	26
Alice B. Tawes Nursing Home	27

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JEFFREY A. MICHALIK, CPA
DANIEL M. O'CONNELL II, CPA
JOHN M. STERN, JR., CPA

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

www.pkscpa.com

Salisbury
1801 SWEETBAY DRIVE
P.O. BOX 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City
12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes
1143 SAVANNAH ROAD
SUITE 1
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

PKF INTERNATIONAL

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, 2016 and 2015, 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 the 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.

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 financial position of The McCready Foundation, Inc. and affiliates as of June 30, 2016 and 2015, and the results of their activities, changes in net assets and 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 - 27 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 21, 2016

CONSOLIDATED FINANCIAL STATEMENTS

THE MCCREADY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,428,220	\$ 4,611,050
Certificates of deposit	176,359	181,621
Accounts receivable, net	2,726,283	2,413,942
Pledges receivable	1,600	2,300
Inventories	316,065	344,102
Prepaid expenses	231,435	263,091
Total current assets	<u>6,879,962</u>	<u>7,816,106</u>
INVESTMENTS, AT FAIR VALUE		
Investments maintained by		
Community Foundation of the Eastern Shore	206,557	210,540
Total investments	<u>206,557</u>	<u>210,540</u>
PROPERTY AND EQUIPMENT		
Property and equipment	31,736,658	30,998,057
Less accumulated depreciation	(14,644,544)	(13,278,063)
Net property and equipment	<u>17,092,114</u>	<u>17,719,994</u>
OTHER ASSETS		
Restricted patient funds	13,508	26,105
Total other assets	<u>13,508</u>	<u>26,105</u>
Total assets	<u>\$ 24,192,141</u>	<u>\$ 25,772,745</u>

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Line of credit	\$ 114,500	\$ 300,978
Current portion of long-term debt	529,768	467,316
Accounts payable	791,979	1,247,662
Accrued salaries, annual leave and related taxes	851,870	607,497
Deposits		42,211
Deferred revenue		4,345
Accrued interest	33,183	35,125
Medicare periodic interim payment program	2,336	58,141
Blue cross - advance	113,000	97,800
Medicaid - advance	78,584	78,584
Total current liabilities	2,515,220	2,939,659
LONG - TERM DEBT		
Loan payable	9,552,087	9,566,729
Total non-current liabilities	9,552,087	9,566,729
OTHER LIABILITIES		
Restricted patient funds	13,507	26,146
Total other liabilities	13,507	26,146
Total liabilities	12,080,814	12,532,534
NET ASSETS		
Unrestricted	12,111,327	13,240,211
Total net assets	12,111,327	13,240,211
Total liabilities and net assets	\$ 24,192,141	\$ 25,772,745

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

THE MCCREADY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE	<u>21,797,811</u>	<u>21,184,152</u>
EXPENSES		
Wages and benefits		
Salaries and wages	10,665,388	9,439,597
Payroll taxes	760,084	724,896
Employee benefits	1,728,567	1,652,859
Total wages and benefits	<u>13,154,039</u>	<u>11,817,352</u>
Direct expenses		
Professional service fees	1,927,159	2,188,571
Consumable supplies	2,126,876	1,748,333
Advertising and recruiting	131,074	86,433
Service contracts and maintenance	1,095,243	922,240
Leases and rentals	538,193	481,957
Depreciation expense	1,366,485	1,397,474
Utilities	535,634	572,387
Interest expense	478,051	504,219
Insurance	423,511	458,462
Other expenses	829,600	813,450
Bad debt expense	806,090	1,802,741
Total direct expenses	<u>10,257,916</u>	<u>10,976,267</u>
Total expenses	<u>23,411,955</u>	<u>22,793,619</u>
Operating loss	<u>(1,614,144)</u>	<u>(1,609,467)</u>
NONOPERATING INCOME	<u>485,260</u>	<u>776,061</u>
Change in net assets	(1,128,884)	(833,406)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>13,240,211</u>	<u>14,073,617</u>
NET ASSETS, END OF YEAR	<u>\$ 12,111,327</u>	<u>\$ 13,240,211</u>

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

THE MCCREADY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (1,128,884)	\$ (833,406)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,366,485	1,397,474
Unrealized loss on investments	2,052	1,582
(Increase) decrease in operating assets:		
Accounts receivable	(312,341)	(359,351)
Pledges receivable	700	23,121
Inventories	28,037	2,638
Medicare periodic interim payment program	(55,805)	66,860
Prepaid expenses	31,656	(15,460)
Increase (decrease) in operating liabilities:		
Accounts payable	(455,683)	154,812
Accrued salaries, annual leave and related taxes	244,373	(65,172)
Accrued interest	(1,942)	(1,217)
Blue Cross - advance	15,200	(59,600)
Deferred revenue	(42,211)	42,211
Deposits	(4,345)	4,345
Medicaid advance		659
Restricted funds	(42)	41
Net cash provided (used) by operating activities	(312,750)	359,537
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of certificates of deposit	5,262	3,752
Purchase of fixed assets net of disposals and transfers	(738,605)	(1,255,172)
Investments maintained by		
Community Foundation of the Eastern Shore	1,931	1,958
Net cash used by investing activities	(731,412)	(1,249,462)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	114,500	300,978
Principal payments on long term debt	(253,168)	(387,021)
Net cash used by financing activities	(138,668)	(86,043)
Net decrease in cash and cash equivalents	(1,182,830)	(975,968)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,611,050	5,587,018
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,428,220	\$ 4,611,050
SUPPLEMENTARY INFORMATION		
Interest paid	\$ 478,051	\$ 504,219

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

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

Cash and cash equivalents

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

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 (CEFS).

The Foundation has accepted the valuation of assets as provided by the CFES which has adopted the Financial Accounting Standards Board "*Accounting Standards Codification*". Accordingly, 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.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,288,584 and \$1,757,747 as of June 30, 2016 and 2015, 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.

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

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets are restricted by donors to be maintained in perpetuity. The Foundation did not have any temporarily or permanently restricted net assets at June 30, 2016 and 2015.

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.

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, 2016, 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.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Gross patient service revenue	\$ 26,743,489	\$ 24,881,868
Less charity care and contractual adjustments	<u>(4,945,678)</u>	<u>(3,389,149)</u>
Net patient service revenue	<u>\$ 21,797,811</u>	<u>\$ 21,492,719</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, 2016 AND 2015

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 21, 2016, 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, 2016 and 2015 amounted to \$131,074 and \$86,433, 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, 2016, The McCready Foundation, Inc. has cash balances in excess of the amount insured by the FDIC.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

PROPERTY AND EQUIPMENT

At June 30, 2016 and 2015, the cost and related depreciation of property and equipment were as follows:

	2016	2015
Land improvements	\$ 104,192	\$ 99,268
Buildings	23,379,319	22,731,950
Fixed equipment	1,712,843	1,692,043
Major moveable equipment	6,540,304	6,474,796
Total assets	31,736,658	30,998,057
Less: accumulated depreciation	(14,644,544)	(13,278,063)
Net property and equipment	<u>\$ 17,092,114</u>	<u>\$ 17,719,994</u>

Depreciation expense for the years ended June 30, 2016 and 2015 amounted to \$1,366,485 and \$1,397,474, 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.

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, 2016 and 2015 were \$463,264 and \$419,617, 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 at June 30, 2016 \$114,500 .

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

LONG TERM DEBT

The following summarizes long-term debt at June 30,

	2016	2015
Hospital long term debt:		
<u>USDA Mortgage Loan</u>		
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.	\$ 412,376	\$ 575,840
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%.	302,778	
GE Proteus XR/A System - \$79,203 financed by GE for 60 months at \$1,549 (6.46775% interest rate)		7,609
Hologic Digital Mammo System - \$246,400 financed by Provident Leasing for 60 months at \$4,751 (5.8899% interest rate)		18,772
Alban Generator - \$246,900 financed by Provident Leasing for 60 months at \$4,916 (7.2321% interest rate)		24,142
Xray - \$106,260 financed by Provident Leasing for 36 months at \$3,184 (4.985% interest rate)	95,221	
Ultrasound - \$154,375 financed by GE for 60 months at \$2,682 (1.64% interest rate)	139,501	
Various equipment	63,272	138,096

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

LONG TERM DEBT (Continued)

	2016	2015
Nursing Home long term debt:		
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. As of June 30, 2014 all funds had not yet been drawn down on the loan.	5,610,129	5,695,254
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.	3,458,578	3,574,332
Total long term debt	\$ 10,081,855	\$ 10,034,045

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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>
2017	\$ 342,188	\$ 187,580	\$ 529,768
2018	291,546	197,126	488,672
2019	162,038	207,165	369,203
2020	79,336	217,723	297,059
2021	65,495	228,829	294,324
Thereafter	<u>72,545</u>	<u>8,030,284</u>	<u>8,102,829</u>
Total	<u>\$ 1,013,148</u>	<u>\$ 9,068,707</u>	<u>\$ 10,081,855</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 \$193,864 and \$261,629 in the years ended June 30, 2016 and 2015, 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, 2016 and 2015 were \$206,557 and \$210,540, 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, 2016 AND 2015

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 2016 and 2015 were \$26,493 and \$59,975 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, 2016 and 2015 amounted to \$117,901 and \$126,630 respectively.

CONCENTRATION OF CREDIT RISK

At June 30, 2016, the Foundation received a substantial amount of its support from Medicaid (approximately \$4,645,379), and Medicare (approximately \$8,857,288). 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, 2016 and 2015 were \$1,299,786 and \$1,246,715 respectively.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

OPERATING LEASES

As of June 30, 2016, the Foundation had entered into various non-cancelable operating lease agreements for the rental of various pieces of equipment expiring from 2017 to 2019. Minimum rentals, on an annual basis, are as follows:

	<u>Equipment</u>
Fiscal Year ending June 30, 2017	\$ 126,697
2018	125,247
2019	<u>20,874</u>
	<u>\$ 272,818</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.

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FAIR VALUE MEASUREMENT

The framework for measuring 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 Endowment Fund has the ability to access.

Level 2 – Inputs to the valuation methodology include:

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

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

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 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 MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, within the fair value hierarchy, the Endowment Fund's assets at fair value as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

Description	Fair Value Measurement at Reporting Date			Total
	Using:			
	(Level 1)	(Level 2)	(Level 3)	
Investment maintained by CFES			206,557	206,557
Total	\$	\$	\$ 206,557	\$ 206,557

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, 2016.

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

	Investment maintained by CFES	Total
Balance, beginning of year	\$ 210,540	\$ 210,540
Administration fees	(2,008)	(2,008)
Unrealized loss	(2,045)	(2,045)
Contributions	70	70
Balance, end of year	\$ 206,557	\$ 206,557

THE MCCREADY FOUNDATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

PRIOR PERIOD ADJUSTMENT

In 2015 the Hospital overstated accounts receivable and accrued expenses. The adjustment to unrestricted net assets is as follows:

Unrestricted net assets at June 30, 2015, as previously reported	\$ 13,204,106
Adjustment for accounts receivable	(195,000)
Adjustment for accrued expenses	<u>121,865</u>
Unrestricted net assets at June 30, 2015, as restated	<u><u>\$ 13,130,971</u></u>

In 2015 the Nursing Home overstated its account receivable. The adjustment to unrestricted net assets is as follows:

Unrestricted net assets at June 30, 2015, as previously reported	\$ 1,976,166
Adjustment for accounts receivable	(308,567)
Unrestricted net assets at June 30, 2015, as restated	<u><u>\$ 1,667,599</u></u>

SUPPLEMENTARY INFORMATION

THE MCCREADY FOUNDATION, INC.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016					Total
	Hospital	Endowment	Assisted Living	Nursing Home	Eliminations	
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 2,859,905	\$ 457,114	\$ 1,199	\$ 110,002	\$	\$ 3,428,220
Certificates of deposit		176,359				176,359
Accounts receivable, net	2,135,847		57,247	533,189		2,726,283
Pledges receivable		1,600				1,600
Inventories	292,576			23,489		316,065
Prepaid expenses	227,735			3,700		231,435
Total current assets	5,516,063	635,073	58,446	670,380		6,879,962
INVESTMENTS, AT FAIR VALUE						
Investments maintained by Community Foundation of the Eastern Shore		206,557				206,557
Total investments		206,557				206,557
PROPERTY AND EQUIPMENT						
Property and equipment	17,861,632		4,019,532	9,855,494		31,736,658
Less accumulated depreciation	(11,893,772)		(323,729)	(2,427,043)		(14,644,544)
Net property and equipment	5,967,860		3,695,803	7,428,451		17,092,114
OTHER ASSETS						
Due from affiliates	3,447,608	13,205		4,881,485	(8,342,298)	13,508
Restricted patient funds				13,508		
Total other assets	3,447,608	13,205		4,894,993	(8,342,298)	13,508
Total assets	\$ 14,931,531	\$ 854,835	\$ 3,754,249	\$ 12,993,824	\$ (8,342,298)	\$ 24,192,141

ASSETS

2015

	Assisted Living	Nursing Home	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,894,390	\$ 456,425	\$ 1,200	\$ 4,611,050
Certificates of deposit	181,621			181,621
Accounts receivable, net	1,703,385	36,643	673,914	2,413,942
Pledges receivable		2,300		2,300
Inventories	305,824		38,278	344,102
Prepaid expenses	258,091		5,000	263,091
Total current assets	6,161,690	640,346	37,843	7,816,106
INVESTMENTS, AT FAIR VALUE				
Investments maintained by Community Foundation of the Eastern Shore	210,540			210,540
Total investments	210,540			210,540
PROPERTY AND EQUIPMENT				
Property and equipment	17,225,617	4,017,545	9,754,895	30,998,057
Less accumulated depreciation	(10,978,320)	(231,583)	(2,068,160)	(13,278,063)
Net property and equipment	6,247,297	3,785,962	7,686,735	17,719,994
OTHER ASSETS				
Due from affiliates	3,411,268	7,413	4,550,783	(7,969,464)
Restricted patient funds			26,105	26,105
Total other assets	3,411,268	7,413	4,576,888	26,105
Total assets	\$ 15,820,255	\$ 858,299	\$ 3,823,805	\$ 13,239,850
			\$ (7,969,464)	\$ 25,772,745

THE MCCREADY FOUNDATION, INC.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016					
	Hospital	Endowment	Assisted Living	Nursing Home	Eliminations	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Line of credit	\$ 114,500	\$	\$	\$	\$	\$ 114,500
Current portion of long-term debt	342,188			187,580		529,768
Accounts payable	604,637		9	187,333		791,979
Accrued salaries, annual leave and related taxes	612,622		23,289	215,959		851,870
Accrued interest	2,527			30,656		33,183
Medicare periodic interim payment program	2,336					2,336
Blue cross - advance	113,000					113,000
Medicaid - advance	36,924			41,660		78,584
Total current liabilities	<u>1,828,734</u>		<u>23,298</u>	<u>663,188</u>		<u>2,515,220</u>
LONG - TERM DEBT						
Loan payable	670,960			8,881,127		9,552,087
Total non-current liabilities	<u>670,960</u>			<u>8,881,127</u>		<u>9,552,087</u>
OTHER LIABILITIES						
Due to affiliates		52,989	6,297,051	1,992,258	(8,342,298)	
Restricted patient funds				13,507		13,507
Total other liabilities		<u>52,989</u>	<u>6,297,051</u>	<u>2,005,765</u>	<u>(8,342,298)</u>	<u>13,507</u>
Total liabilities	<u>2,499,694</u>		<u>6,320,349</u>	<u>11,550,080</u>	<u>(8,342,298)</u>	<u>12,080,814</u>
NET ASSETS (DEFICIT)						
Unrestricted	12,431,837	801,846	(2,566,100)	1,443,744		12,111,327
Total net assets (deficit)	<u>12,431,837</u>	<u>801,846</u>	<u>(2,566,100)</u>	<u>1,443,744</u>		<u>12,111,327</u>
Total liabilities and net assets	<u>\$ 14,931,531</u>	<u>\$ 854,835</u>	<u>\$ 3,754,249</u>	<u>\$ 12,993,824</u>	<u>\$ (8,342,298)</u>	<u>\$ 24,192,141</u>

LIABILITIES AND NET ASSETS

2015

	Hospital	Endowment	Assisted Living	Nursing Home	Eliminations	Total
CURRENT LIABILITIES						
Line of credit	\$ 300,978	\$	\$	\$	\$	\$ 300,978
Current portion of long-term debt	288,812			178,504		467,316
Accounts payable	1,058,027		5	189,630		1,247,662
Accrued salaries, annual leave and related taxes	369,737		22,392	215,368		607,497
Accrued interest	3,218			31,907		35,125
Deferred revenue			42,211			42,211
Deposits			4,345			4,345
Medicare periodic interim payment program	58,141					58,141
Blue cross - advance	97,800					97,800
Medicaid - advance	36,924			41,660		78,584
Total current liabilities	2,213,637		68,953	657,069		2,939,659
LONG - TERM DEBT						
Loan payable	475,647			9,091,082		9,566,729
Total non-current liabilities	475,647			9,091,082		9,566,729
OTHER LIABILITIES						
Due to affiliates		56,489	6,115,021	1,797,954	(7,969,464)	
Restricted patient funds				26,146		26,146
Total other liabilities		56,489	6,115,021	1,824,100	(7,969,464)	26,146
Total liabilities	2,689,284	56,489	6,183,974	11,572,251	(7,969,464)	12,532,534
NET ASSETS (DEFICIT), AS RESTATED						
Unrestricted	13,130,971	801,810	(2,360,169)	1,667,599		13,240,211
Total net assets (deficit)	13,130,971	801,810	(2,360,169)	1,667,599		13,240,211
Total liabilities and net assets	\$ 15,820,255	\$ 858,299	\$ 3,823,805	\$ 13,239,850	\$ (7,969,464)	\$ 25,772,745

THE MCCREADY FOUNDATION, INC.

CONSOLIDATING STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2016 AND 2015

2016

	Hospital	Endowment	Assisted Living	Nursing Home	Total
OPERATING REVENUE	\$ 15,149,623	\$	777,306	\$ 5,870,882	\$ 21,797,811
EXPENSES					
Wages and benefits	7,028,491		423,354	3,213,543	10,665,388
Salaries and wages	490,348		29,389	240,347	760,084
Payroll taxes	1,062,832		53,254	612,481	1,728,567
Employee benefits	8,581,671		505,997	4,066,371	13,154,039
Total wages and benefits					
Direct expenses					
Professional service fees	1,774,202	3,508	2,000	147,449	1,927,159
Consumable supplies	1,402,375		161,957	562,544	2,126,876
Advertising and recruiting	130,927			147	131,074
Service contracts and maintenance	1,007,863		477	86,903	1,095,243
Leases and rentals	491,247		667	46,279	538,193
Depreciation expense	922,197		117,351	326,937	1,366,485
Utilities	331,711		44,445	159,478	535,634
Interest expense	93,016		131,748	253,287	478,051
Insurance	236,276		16,095	171,140	423,511
Other expenses	656,672		2,500	170,428	829,600
Bad debt expense	702,042			104,048	806,090
Total direct expenses	7,748,528	3,508	477,240	2,028,640	10,257,916
Total expenses	16,330,199	3,508	983,237	6,095,011	23,411,955
Operating loss	(1,180,576)	(3,508)	(205,931)	(224,129)	(1,614,144)
NONOPERATING INCOME					
Change in net assets	481,442	3,544		274	485,260
	(699,134)	36	(205,931)	(223,855)	(1,128,884)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	13,130,971	801,810	(2,360,169)	1,667,599	13,240,211
NET ASSETS, END OF YEAR	\$ 12,431,837	\$ 801,846	\$ (2,566,100)	\$ 1,443,744	\$ 12,111,327

2015

	Hospital	Endowment	Assisted Living	Nursing Home	Total
OPERATING REVENUE					
	\$ 14,382,353	\$	527,090	\$ 6,274,709	\$ 21,184,152
EXPENSES					
Wages and benefits					
Salaries and wages	5,808,427		344,860	3,286,310	9,439,597
Payroll taxes	451,847		23,799	249,250	724,896
Employee benefits	1,003,019		51,820	598,020	1,652,859
Total wages and benefits	7,263,293		420,479	4,133,580	11,817,352
Direct expenses					
Professional service fees	1,995,036	3,608	1,200	188,727	2,188,571
Consumable supplies	1,056,751		118,258	573,324	1,748,333
Advertising and recruiting	86,433				86,433
Service contracts and maintenance	841,900		350	79,990	922,240
Leases and rentals	447,470		630	33,857	481,957
Depreciation expense	940,610		121,596	335,268	1,397,474
Utilities	372,998		43,205	156,184	572,387
Interest expense	89,592		133,231	281,396	504,219
Insurance	268,091		16,785	173,586	458,462
Other expenses	630,170		2,982	180,298	813,450
Bad debt expense	1,780,420	22,321			1,802,741
Total direct expenses	8,509,471	25,929	438,237	2,002,630	10,976,267
Total expenses	15,772,764	25,929	858,716	6,136,210	22,793,619
Operating income (loss)	(1,390,411)	(25,929)	(331,626)	138,499	(1,609,467)
NONOPERATING INCOME					
Change in net assets	769,819	4,677		1,565	776,061
	(620,592)	(21,252)	(331,626)	140,064	(833,406)
NET ASSETS, BEGINNING OF YEAR	13,751,563	823,062	(2,028,543)	1,527,535	14,073,617
NET ASSETS, END OF YEAR, AS RESTATED	\$ 13,130,971	\$ 801,810	\$ (2,360,169)	\$ 1,667,599	\$ 13,240,211

THE MCCREADY FOUNDATION, INC.

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

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Regulated revenue		
Total inpatient revenue	\$ 3,094,954	\$ 2,966,592
Total outpatient revenue	13,394,409	12,155,365
Gross regulated revenue	16,489,363	15,121,957
Less allowances	(2,766,875)	(1,640,831)
Less charity care	(185,796)	(244,503)
Net regulated revenue	13,536,692	13,236,623
Unregulated revenue		
Professional fees	1,761,815	1,176,255
Other unregulated services	4,169	7,476
Gross unregulated services	1,765,984	1,183,731
Less unregulated allowances	(328,046)	(176,516)
Less unregulated charity care	(8,068)	(17,126)
Net unregulated services	1,429,870	990,089
Other operating revenue	183,061	155,641
Operating revenue	15,149,623	14,382,353
EXPENSES		
Wages and benefits		
Salaries and wages	7,028,491	5,808,427
Payroll taxes	490,348	451,847
Employee benefits	1,062,832	1,003,019
Total wages and benefits	8,581,671	7,263,293
Direct expenses		
Professional service fees	1,774,202	1,995,036
Consumable supplies	1,402,375	1,056,751
Advertising & Recruiting	130,927	86,433
Service contracts and maintenance	1,007,863	841,900
Leases and rentals	491,247	447,470
Depreciation expense	922,197	940,610

THE MCCREADY FOUNDATION, INC.

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

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
EXPENSES (Continued)		
Direct expenses (continued)		
Utilities	331,711	372,998
Interest expense	93,016	89,592
Insurance	236,276	268,091
Other expenses	656,672	630,170
Bad debt expense	702,042	1,780,420
Total direct expenses	<u>7,748,528</u>	<u>8,509,471</u>
Total expenses	<u>16,330,199</u>	<u>15,772,764</u>
Operating loss	(1,180,576)	(1,390,411)
Nonoperating income	<u>481,442</u>	<u>769,819</u>
Net loss	<u>\$ (699,134)</u>	<u>\$ (620,592)</u>

THE MCCREADY FOUNDATION, INC.

**STATEMENTS OF ACTIVITY BY ORGANIZATION
ENDOWMENT**

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES		
Direct expenses		
Professional service fees	3,508	3,608
Bad debt expense		22,321
Total direct expenses	<u>3,508</u>	<u>25,929</u>
Total expenses	<u>3,508</u>	<u>25,929</u>
Operating loss	(3,508)	(25,929)
Nonoperating income	<u>3,544</u>	<u>4,677</u>
Net income (loss)	<u>\$ 36</u>	<u>\$ (21,252)</u>

THE MCCREADY FOUNDATION, INC.

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

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Room and board	777,306	527,090
Operating revenue	777,306	527,090
EXPENSES		
Wages and benefits		
Salaries and wages	423,354	344,860
Payroll taxes	29,389	23,799
Employee benefits	53,254	51,820
Total wages and benefits	505,997	420,479
Direct expenses		
Professional service fees	2,000	1,200
Consumable supplies	161,957	118,258
Service contracts and maintenance	477	350
Leases and rentals	667	630
Depreciation expense	117,351	121,596
Utilities	44,445	43,205
Interest expense	131,748	133,231
Insurance	16,095	16,785
Other expenses	2,500	2,982
Total direct expenses	477,240	438,237
Total expenses	983,237	858,716
Operating loss	(205,931)	(331,626)
Net loss	\$ (205,931)	\$ (331,626)

THE MCCREADY FOUNDATION, INC.

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

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Patient revenue		
Room and board	6,669,504	6,446,176
Ancillary services	813,747	1,012,592
Allowances	(1,656,893)	(1,310,173)
Net patient revenue	5,826,358	6,148,595
Dietary income	41,351	53,902
Other operating revenue	3,173	72,212
Operating revenue	5,870,882	6,274,709
 EXPENSES		
Wages and benefits		
Salaries and wages	3,213,543	3,286,310
Payroll taxes	240,347	249,250
Employee benefits	612,481	598,020
Total wages and benefits	4,066,371	4,133,580
 Direct expenses		
Professional service fees	147,449	188,727
Consumable supplies	562,544	573,324
Advertising & Recruiting	147	
Service contracts and maintenance	86,903	79,990
Leases and rentals	46,279	33,857
Depreciation expense	326,937	335,268
Utilities	159,478	156,184
Interest expense	253,287	281,396
Insurance	171,140	173,586
Other expenses	170,428	180,298
Bad debt expense	104,048	
Total direct expenses	2,028,640	2,002,630
Total expenses	6,095,011	6,136,210
 Operating income (loss)	(224,129)	138,499
 Nonoperating income	274	1,565
Net income (loss)	\$ (223,855)	\$ 140,064