

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2019**

|  |          |
|--|----------|
| <b>INDEPENDENT AUDITORS' REPORT.....</b>     | <b>1</b> |
| <b>FINANCIAL STATEMENTS</b>                  |          |
| <b>STATEMENT OF FINANCIAL POSITION .....</b> | <b>3</b> |
| <b>STATEMENT OF ACTIVITIES.....</b>          | <b>4</b> |
| <b>STATEMENT OF CASH FLOWS .....</b>         | <b>5</b> |
| <b>NOTES TO FINANCIAL STATEMENTS.....</b>    | <b>6</b> |



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of McCormick Memorial Home for the Aged, Inc. (McCormick Home) (a Wisconsin corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McCormick Memorial Home for the Aged, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, McCormick Home sold its property and equipment in exchange for the assumption of its outstanding long-term debt on September 30, 2018. McCormick Home reflected the results of the operations and cash flows related to the sale as discontinued operations.



**CliftonLarsonAllen LLP**

Oshkosh, Wisconsin  
September 19, 2019

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

|                      |                                |
|----------------------|--------------------------------|
| Cash                 | \$ 102,876                     |
| Accounts Receivable  | 300                            |
| Investments          | 1,130,939                      |
| Beneficial Interests | <u>1,511,419</u>               |
| <br>Total Assets     | <br><u><u>\$ 2,745,534</u></u> |

**NET ASSETS**

|                            |                                |
|----------------------------|--------------------------------|
| Without Donor Restrictions | \$ 1,234,115                   |
| With Donor Restrictions    | <u>1,511,419</u>               |
| <br>Total Net Assets       | <br><u><u>\$ 2,745,534</u></u> |

*See accompanying Notes to Financial Statements.*

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--|-------------------------------|----------------------------|---------------------|
| <b>OTHER CHANGES IN<br/>NET ASSETS</b>                       |                               |                            |                     |
| Investment Return  | \$ 64,745                     | \$ -                       | \$ 64,745           |
| Distributions from Beneficial Interests                      | 55,390                        | -                          | 55,390              |
| Change in Beneficial Interests                               | -                             | 14,949                     | 14,949              |
| <b>CHANGE IN NET ASSETS FROM<br/>CONTINUING OPERATIONS</b>   | 120,135                       | 14,949                     | 135,084             |
| <b>CHANGE IN NET ASSETS FROM<br/>DISCONTINUED OPERATIONS</b> | (2,738,881)                   | -                          | (2,738,881)         |
| <b>CHANGE IN NET ASSETS</b>                                  | (2,618,746)                   | 14,949                     | (2,603,797)         |
| Net Assets - Beginning of Year                               | 3,852,861                     | 1,496,470                  | 5,349,331           |
| <b>NET ASSETS - END OF YEAR</b>                              | <b>\$ 1,234,115</b>           | <b>\$ 1,511,419</b>        | <b>\$ 2,745,534</b> |

See accompanying Notes to Financial Statements.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**

|   |                              |
|---|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                              |
| Cash Received from and on Behalf of Residents   | \$ (300)                     |
| Distributions from Beneficial Interests   | 55,390                       |
| Net Cash Flows from Operating Activities - Continuing Operations  | <u>55,090</u>                |
| Net Cash Flows from Operating Activities - Discontinued Operations  | <u>(30,888)</u>              |
| Net Cash Flows from Operating Activities  | 24,202                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITY</b>   |                              |
| Proceeds from Sale of Investments - Continuing Operations   | 125,000                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                              |
| Net Cash Flows from Financing Activities - Discontinued Operations  | <u>(75,776)</u>              |
| <b>NET CHANGE IN CASH</b>   | 73,426                       |
| Cash - Beginning of Year  | <u>29,450</u>                |
| <b>CASH - END OF YEAR</b>   | <u><u>\$ 102,876</u></u>     |
| <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                              |
| Change in Net Assets  | \$ (2,603,797)               |
| Change in Net Assets from Discontinued Operations   | <u>(2,738,881)</u>           |
| Change in Net Assets from Continuing Operations   | 135,084                      |
| Adjustments to Reconcile Change in Net Assets from Continuing Operations to Net Cash Flows from Operating Activities: |                              |
| Investment Return   | (64,745)                     |
| Change in Beneficial Interests  | (14,949)                     |
| Changes in Certain Assets and Liabilities:  |                              |
| Accounts Receivable   | <u>(300)</u>                 |
| Net Cash Flows from Operating Activities - Continuing Operations  | <u><u>\$ 55,090</u></u>      |
| <b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>   |                              |
| Sale of Property and Equipment in Exchange for Assumption of Long-Term Debt   | <u><u>\$ (1,537,757)</u></u> |
| Interest and Dividends Reinvested Directly Back into Investment Funds   | <u><u>\$ 22,393</u></u>      |

See accompanying Notes to Financial Statements.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 PRINCIPAL ACTIVITY**

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

As more fully disclosed in Note 10, McCormick Home completed the sale of substantially all of its property, equipment, and operating activities, on September 30, 2018. As part of the transaction, McCormick Home completely divested of all property and equipment and residential housing operations in exchange for the assumption of its outstanding long-term debt. McCormick Home reflected the results of the divested operations as discontinued operations in the accompanying financial statements.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions**

Net assets available for use in general operation and not subject to donor (or certain grantor) restrictions.

**Net Assets With Donor Restrictions**

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash**

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

**Investments**

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains or losses are included in the accompanying statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tax-Exempt Status**

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

McCormick Home had no unrelated business income for the year ended June 30, 2019.

**Subsequent Events**

In preparing these financial statements, McCormick Home has evaluated events and transactions for potential recognition or disclosure through September 19, 2019, the date the financial statements were available to be issued.

**NOTE 3 ACCOUNTING STANDARDS UPDATES**

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. McCormick Home adopted this standard on July 1, 2018. Accordingly, the required presentation and disclosure changes have been retrospectively applied.

In June 2018, the FASB issued ASU 2018-08 to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The guidance is required to be applied by McCormick Home for the year ending June 30, 2020. McCormick Home is currently evaluating the impact this guidance will have on its financial statements.

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

|  |              |
|--|--------------|
| Cash   | \$ 102,876   |
| Accounts Receivable                                      | 300          |
| Investments  | 1,130,939    |
| Beneficial Interests                                     | 1,511,419    |
| Subtotal   | 2,745,534    |
| Less: Donor Restricted Net Assets                        | (1,511,419)  |
| Total Financial Assets Available for General Expenditure | \$ 1,234,115 |

**NOTE 5 INVESTMENTS**

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

Investments are carried at fair value and consisted of the following at June 30, 2019:

|  | Fair Value   | Redemption<br>Frequency | Termination<br>Notice Period |
|--|--------------|-------------------------|------------------------------|
| St. Francis Xavier Corp. Fixed Income Fund | \$ 395,377   | Daily                   | 30 Days                      |
| St. Francis Xavier Corp. Equity Fund       | 622,862      | Daily                   | 30 Days                      |
| St. Francis Xavier Corp. Money Market Fund | 112,700      | Daily                   | 30 Days                      |
| Total                                      | \$ 1,130,939 |                         |                              |

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

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

|                           |       |
|---------------------------|-------|
| Intermediate Fixed Income | 95 %  |
| Cash                      | 5     |
| Total                     | 100 % |

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 INVESTMENTS (CONTINUED)**

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

|                           |       |
|---------------------------|-------|
| Small-Cap Domestic Stocks | 20 %  |
| Mid-Cap Domestic Stocks   | 20    |
| Large-Cap Domestic Stocks | 40    |
| International Stocks      | 17    |
| Cash and Cash Equivalents | 3     |
| Total                     | 100 % |

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

Investment return in the accompanying statement of activities for the year ended June 30, 2019 consisted of the following:

|   |           |
|---|-----------|
| Interest and Dividends                      | \$ 22,393 |
| Realized and Unrealized Gain on Investments | 42,352    |
| Total Investment Return                     | \$ 64,745 |

**NOTE 6 FAIR VALUE MEASUREMENTS**

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

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

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

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

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

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

The table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2019:

|  | <u>Level 1</u> | <u>Level 2</u>      | <u>Level 3</u>      | <u>Total</u>        |
|--|----------------|---------------------|---------------------|---------------------|
| St. Francis Xavier Corp. Fixed Income Fund | \$ -           | \$ 395,377          | \$ -                | \$ 395,377          |
| St. Francis Xavier Corp. Equity Fund       | -              | 622,862             | -                   | 622,862             |
| St. Francis Xavier Corp. Money Market Fund | -              | 112,700             | -                   | 112,700             |
| Beneficial Interests                       | -              | -                   | 1,511,419           | 1,511,419           |
| Total Assets                               | <u>\$ -</u>    | <u>\$ 1,130,939</u> | <u>\$ 1,511,419</u> | <u>\$ 2,642,358</u> |

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

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

|  |                     |
|--|---------------------|
| Balance - June 30, 2018  | <u>\$ 1,496,470</u> |
| Net Realized and Unrealized Gains Included in Change in Net Assets | 14,949              |
| Balance - June 30, 2019  | <u>\$ 1,511,419</u> |

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 BENEFICIAL INTERESTS**

McCormick Home is a 7% beneficiary in a trust which was established by a will effective May 1987. The trust corpus is held by an independent trustee in perpetuity with the net income of the trust to be distributed annually by the trustee to the trust beneficiaries. At June 30, 2019, the fair value of McCormick Home's 7% share was \$1,244,264. For the year ended June 30, 2019, the trust income distributions were \$55,390, and the gain on perpetual trust assets was \$4,997.

A portion of the beneficial interests includes funds held in trust by the Catholic Foundation for the Diocese of Green Bay, Inc. for the benefit of McCormick Home. The gift was made during the year ended June 30, 2006. Distributions from earnings are to be used for the retired priests' facility. At June 30, 2019, the fair value of the beneficial interest was \$267,155. For the year ended June 30, 2019, distributions were \$-0-, and the increase in value was \$9,952.

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

**NOTE 8 INTERDIOCESAN TRANSACTIONS**

McCormick Home was a party to various transactions with other diocesan corporations during the year ended June 30, 2019. Total expenses paid to other diocesan corporations were \$54,870 for the year ended June 30, 2019, and relates to administrative and support services.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019:

Endowments:

Subject to Endowment Spending Policy and  
Appropriation - Investment in Perpetuity  
Beneficial Interests

\$ 1,511,419

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 DISCONTINUED OPERATIONS**

McCormick Home completed the sale of substantially all of its property, equipment, and operating activities on September 30, 2018 in exchange for the assumption of its outstanding long-term debt. McCormick Home reflected the results of these divested operations as discontinued operations in the accompanying financial statements.

The results of the divested operations are included within discontinued operations. The major classes of line items constituting the change in net assets from discontinued operations were as follows:

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|---|-------------------------------|----------------------------|-----------------------|
| <b>REVENUES AND SUPPORT</b>                           |                               |                            |                       |
| Room and Board Fees                                   | \$ 508,730                    | \$ -                       | \$ 508,730            |
| Sales of Supplies and Services                        | 29,557                        | -                          | 29,557                |
| Contributions   | 1,154                         | -                          | 1,154                 |
| Other Income  | 12,326                        | -                          | 12,326                |
| Loss on Sale of Property<br>and Equipment             | (2,747,081)                   | -                          | (2,747,081)           |
| Total Revenues and Support                            | <u>(2,195,314)</u>            | <u>-</u>                   | <u>(2,195,314)</u>    |
| <b>EXPENSES</b>                                       |                               |                            |                       |
| Salaries and Wages                                    | 251,763                       | -                          | 251,763               |
| Personnel Benefits                                    | 88,389                        | -                          | 88,389                |
| Other Personnel Expenses                              | 4,271                         | -                          | 4,271                 |
| Purchased Services                                    | 37,619                        | -                          | 37,619                |
| Residents' Services                                   | 42,493                        | -                          | 42,493                |
| Facilities, Buildings, and Grounds                    | 102,200                       | -                          | 102,200               |
| Office  | 4,093                         | -                          | 4,093                 |
| Interest and Related Fees                             | 21,550                        | -                          | 21,550                |
| Other   | (8,811)                       | -                          | (8,811)               |
| Total Expenses  | <u>543,567</u>                | <u>-</u>                   | <u>543,567</u>        |
| <b>REVENUES AND SUPPORT<br/>DEFICIENT OF EXPENSES</b> | <u>\$ (2,738,881)</u>         | <u>\$ -</u>                | <u>\$ (2,738,881)</u> |

**MCCORMICK MEMORIAL HOME FOR THE AGED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 FUNCTIONAL CLASSIFICATION OF EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program and supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, buildings, and grounds, which is allocated on a square footage basis, while the remaining natural expense categories are allocated on the basis of estimates of time and effort.

Expenses by function for the year ended June 30, 2019 are as follows:

|                                    | Program<br>Services | Management<br>and General | Total      |
|------------------------------------|---------------------|---------------------------|------------|
| Salaries and Wages                 | \$ 154,845          | \$ 96,918                 | \$ 251,763 |
| Personnel Benefits                 | 72,252              | 16,137                    | 88,389     |
| Other Personnel Expenses           | 4,271               | -                         | 4,271      |
| Purchased Services                 | 37,619              | -                         | 37,619     |
| Residents' Services                | 42,493              | -                         | 42,493     |
| Facilities, Buildings, and Grounds | 102,200             | -                         | 102,200    |
| Office                             | 4,093               | -                         | 4,093      |
| Interest and Related Fees          | 21,550              | -                         | 21,550     |
| Other                              | (8,811)             | -                         | (8,811)    |
| Total Expenses by Function         | \$ 430,512          | \$ 113,055                | \$ 543,567 |