



# Board of Directors Orientation Manual

# Table of Contents

<u>Topic</u>	<u>Tab</u>
Organization .....	1
- Introduction	
- Vision, Mission, and Values	
- Board of Directors and Committee Membership	
- Leadership Team	
- Organizational Chart	
Strategy .....	2
- Strategic Directions and Initiatives, May 2013	
- Strategic Plan, FY 2014 – 2016	
- Competitor Analysis, Skilled Nursing Facilities	
- Competitor Analysis, Assisted Living Facilities	
Finance .....	3
- Sagepoint Senior Living Services Finance Package, Sept. 2015	
- Sagepoint Care Finance Package, Sept. 2015	
- Audited Financial Statements, FY 2015	
- Budget, FY 2016	
Governance .....	4
- Bylaws, Family of Care Alliance, Inc., d/b/a Sagepoint Senior Living Services	
- Bylaws, Charles County Nursing and Rehabilitation Center, Inc. d/b/a Sagepoint Care	
- Conflict of Interest Policy	
- Board Reference from <i>The Governance Institute</i>	

## **Introduction to Sagepoint Senior Living Services**

*Sagepoint Senior Living Services*, is the parent company of *Sagepoint Care*, formerly known as CCNRC Family of Care. CCNRC, the former Charles County Nursing and Rehabilitation Center was founded in 1976 as a Not-For-Profit 501(c)(3) Corporation. The Center was governed by a voluntary Board of nine trustees appointed by the Charles County Commissioners until November 2009 when the Charles County Commissioners titled the property and building to the organization. The Board operates under bylaws developed and approved by the Board of Trustees and is now a self-sustaining Board.

The Center was initially comprised of 105 beds. In 1992 the Center was expanded to 165 beds. Those 165 beds have been divided into four distinct patient-care units. Units 100, 200, and 300 are nursing units for long term care. Unit 200 contains a designated secure unit for those long term care residents suffering from dementia. The *Sagepoint Rehabilitation Center* has 21 beds for patients admitted for post-acute care with the intent to return home. All rooms at CCNRC are semi-private or private.

In 1985 an Adult Day Services Program was developed. This program initially began with 25 participants and was located in the Nursing Center building. The first building for the Adult Day Services Program was opened in 1990. At that time there were 38 participants in the program. With the ever increasing need for dementia programming, in 1995 an addition to the adult day services building was completed which houses the current program. Current licensure for *Sagepoint Adult Day Services* allows up to 63 participants.

December 2006 saw the addition of Assisted Living to the organization. We purchased Abbey Manor, now called *Sagepoint Gardens*, from a real estate firm in Baltimore. The purchase, located on Morris Drive in La Plata, included the property and two buildings of sixteen beds each (32 total beds).

In 2012, construction of a two story medical arts building on the main campus was completed. The first floor is being leased to Fresenius Medical Care, a dialysis provider (18 chairs). The second floor contains *Sagepoint Memory Care*, a 12 bed assisted living community designed for those with Alzheimer's and dementia. This community is a functioning household and uses state of the art programming developed to assist our residents achieve the highest quality of life possible.

*Sagepoint Home Care* was added in September 2015 with the purchase of Circle of Care, LLC based in Prince Frederick, Maryland. This Residential Service Agency (RSA) provides care and companionship to seniors in their home. Currently, we are serving almost 40 seniors with approximately 60 caregivers in Calvert, Charles, and St. Mary's County.

On the main campus, ground breaking began in October 2015 on a new Rehabilitation Center that will ultimately include 30 private rooms and an enhanced therapy gym. This project will be completed in two phases. Phase one is expected to be completed in the fall of 2016 with phase two to be completed in the fall of 2017. In addition, development will begin in 2016 on a 60 unit assisted living community located on Washington Avenue.

There are currently approximately 330 employees equating to over 200 full-time equivalents (FTE). These employees work as caregivers in our programs and to support our community through Food Service, Maintenance, Activities, Financial Services, Rehabilitation, Admissions, Environmental Services, Social Services, Quality Improvement, Human Resources and Administration.

Sagepoint accepts referrals from individuals, family members, social and health agencies, physicians, clergy, friends, and other concerned persons. We have a good working relationship with UM Charles

Regional Medical Center and MedStar Southern Maryland Hospital Center, which provide most of the referrals for post-acute care. We also receive many referrals from tertiary care hospitals in the Washington, DC and Baltimore areas. Georgetown Hospital is a large referring source and we have been told that we are the provider of choice in Southern Maryland.

Applicants to Sagepoint are accepted and services are provided without regard to race, color, religion, sex, or national origin. For these applicants we accept private pay, Medicaid, Medicare, long-term care private insurance and other private insurance programs.

Sagepoint is dedicated to provide quality care for our patients, residents, and participants. We have an active continuous quality improvement program that constantly strives to improve the services rendered, as well as a stringent Corporate Compliance program.

Our goal is to be the provider of choice in our region for aging services and to be the employer of choice.

Our telephone number is 301-934-1900 and the website address is [www.sagepointcare.org](http://www.sagepointcare.org) .



VISION:

- Sagepoint Senior Living Services will be the desired provider for persons and families seeking rehabilitation and aging services. They will experience an organization that sets the standards for care and innovation.

MISSION:

- To provide excellence in rehabilitation and aging services delivered by employees who reflect our values.

VALUES:

- **Compassion** – Sagepoint is dedicated to providing compassionate care to our customers and families that have selected us for their care. Our staff is concerned with the physical, emotional and spiritual needs of those members of the community who have been entrusted to our care.
- **Community** – The healthcare team is to be the provider of choice and to promote commitment and involvement in the community.
- **Nurturing** – To provide an environment that fosters self-development, creativity, growth and teamwork necessary to meet the challenges of providing for the physical and emotional needs of our customers for today, tomorrow and generations to come.
- **Respect** – Respect is the keystone for our success. Each of us has respect for our customers, their families and visitors, our co-workers, physicians, other members of the healthcare team, our building and equipment, and especially ourselves.
- **Competency** – The healthcare team is committed to the delivery of services and resources with the skills to meet the care needs of our customers.
- **Innovation** – Implement new and inventive methods, technologies and applications to improve service delivery.



**Board of Directors and Committee Membership: December 2015**

**Sagepoint Senior Living Services**

Carolyn Core - Chair  
Frank Nicolai - Chair-elect  
Jon Johnson - Secretary/Treasurer  
Sally Jameson  
Grant McClure  
Sue Green  
Dana Levy  
Louis Kaufman, M.D.  
Joe Norris  
John Draper  
Bill Holman, President/CEO

**Executive Committee**

Carolyn Core – Committee Chair  
Frank Nicolai  
Jon Johnson  
Bill Holman

**Finance Committee**

Jon Johnson, Committee Chair  
Carolyn Core  
Frank Nicolai  
Sally Jameson  
Kathy Parsons  
Bill Holman

**Governance Committee**

Frank Nicolai – Committee Chair  
Carolyn Core  
Jon Johnson  
Sue Green  
Bill Holman

**Audit Committee**

Frank Nicolai – Committee Chair  
Carolyn Core  
Randy Lakes

**Sagepoint Care Member**

Carolyn Core

**Foundation Board**

To be named

**Sagepoint Care**

Carolyn Core – Chair  
Kathy Parsons – Chair-elect  
Jon Johnson – Secretary/Treasurer  
Mohammad Haziq, M.D.  
Linda Fitzgerald  
Wayne Barnes  
Louis Kaufman, M.D. (ex-officio)  
Bill Holman (ex-officio)

**Executive Committee**

Carolyn Core – Committee Chair  
Kathy Parsons  
Jon Johnson  
Frank Nicolai  
Bill Holman

**Finance Committee**

Jon Johnson – Committee Chair  
Carolyn Core  
Kathy Parsons  
Wayne Barnes  
Bill Holman  
Dennis O’Neill, CFO

**Quality Improvement Committee**

Mohammad Haziq – Committee Chair  
Carolyn Core  
Jon Johnson  
Kathy Parsons  
Dana Levy  
Linda Fitzgerald  
Wayne Barnes  
Bill Holman  
Teresa Robinson, VP Clinical Affairs

**Family of Care  
Real Estate Holding Co.**

Carolyn Core  
Jon Johnson  
Grant McClure  
Bill Holman

**Advisory Committee**

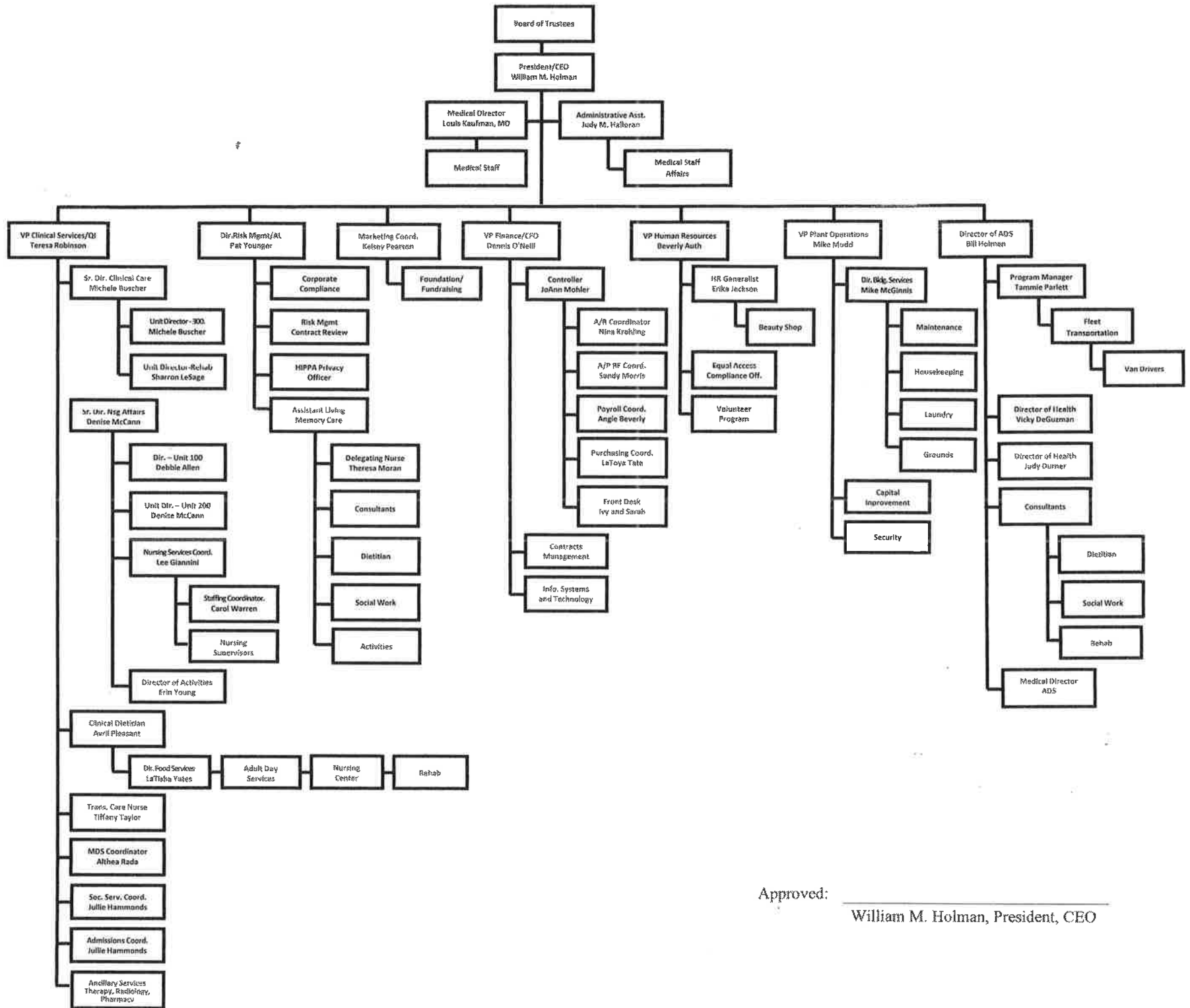
Carolyn Core  
Frank Nicolai  
Bill Holman  
Mary Beth Chandler  
Dr. Henry Burke  
Ed Heise  
Barbara Stepura  
Ken Weikel  
Hammad Matin  
Randy Lakes  
Dina Barclay  
Betsy Burian



## **Leadership Team**

- **Bill Holman, President/CEO**
- **Teresa Robinson, VP Clinical Affairs**
- **Dennis O'Neill, VP Finance/CFO**
- **Michael Mudd, VP Plant Operation**
- **Beverly Auth, VP Human Resources**
- **Pat Younger, VP Assisted Living/Risk Management**
- **Ron Wise, Executive Director Home Care**

Organizational Chart for Sagepoint Senior Living Services – September 2015



Approved: \_\_\_\_\_  
 William M. Holman, President, CEO

# CCNRC Family of Care Initial Draft of Strategic Directions and Initiatives

## Mission

*To provide excellence in rehabilitation and aging services delivered by employees that reflect our values*

## Vision

*CCNRC Family of Care will be the desired provider for persons and families seeking rehabilitation and aging services. They will experience an organization that sets the standards for care and innovation*

## Core Purpose

(Why we pursue our mission and vision)

*Because of the respect we have for the elder population and our commitment to our communities – we feel responsible for delivering the best services possible..*

## Core Values

- Trust
- Competency
- Compassion
- Nurturing
- Community
- Respect
- Innovation

(Note: a key step for CCNRC will be to focus on those values that truly define the organization. The meaning of each of the above should be explored and the current perspective of key staff, residents & families and other key stakeholders be sought. Values are discerned rather than determined or dictated. A set of 3 or 4 can more powerfully capture the essence of an organization than six or seven.)

## Over the Next Fifteen Years, we will . . .

*Create a model of homelike environments throughout the CCNRC Family of Care*

*Never stray from our commitment (and core purpose) of consistently setting the standard for quality care and innovation*

*Emphasize and help create a seamless continuum of services, life enhancement and care primarily for older adults.*

*Leverage our knowledge and expertise (in elder care) to become the 'heart' of the seamless continuum. We will place particular emphasis and invest in care coordination.*

*Make a significant investment in technology in order to accomplish the above.*

*Remain focused on Southern Maryland, though our results, approaches and reputation will influence organizations throughout Maryland and the Mid-Atlantic region.*

*Remain nimble – enabling our core purpose and mission to be fulfilled, even in a rapidly changing environment.*

## **We will achieve the above by pursuing the following Strategic Directions and Initiatives:**

The Strategic Directions include:

**Invest** in CCNRC's core purpose (update facilities and programs)

**Enable** the fulfillment of mission and vision (ensure appropriate infrastructure)

**Grow** (results from the above)

The Initiatives we will use to advance the Strategic Directions include:

### **Invest in CCNRC's core purpose**

1. In the campus and facilities – initially by developing or updating a master plan that anticipates:
  - Rehab expansion
  - Creation of additional private rooms
  - Transforming the breezeway
  - Anticipating the potential addition of beds through the Maryland CON exception
  - On a long term basis, evaluate the ability to create small house type options that might free up space within the existing facility; integration of at-home service components (or common area to support)
  - And others
2. In technology – by developing a long term IT plan that anticipates and addresses:
  - Supporting emerging and evolving clinical needs
  - Increased utilization of remote monitoring
  - Potential integration of robotic technology
  - Funding sources – in addition to or replacing CCNRC capital investments
3. In relationships – by developing enhanced relationships with Civista and Medstar of Southern Maryland, as well as potential college and university relationships

Regarding Civista and Medstar, the enhanced relationships should consider:

- Creating a more seamless, integrated approach

- Piloting the development of care transition approaches (including SNF, assisted living, home care and home health care) using existing ‘navigator’ type models, the ‘Naylor’ model as well as others
- Being willing to consider risk sharing approaches that may result from bundled payment piloting, ACO formation and other health care reform initiatives

Regarding the college and university relationships, considerations might include:

- Enhanced training and educational partnering (clinical, leadership and others)
- Potential research partnerships that document the quality of care, impact of care transition efforts (above), etc.
- Initial discussions might include University of Mary Washington, College of Southern Maryland and others

#### 4. In building a care coordination model

This is potentially included as part of the development of a more comprehensive relationship with Civisa and/or Medstar – but is also something that should be spearheaded by CCNRC as its own program/initiative (as CCNRC’s ability to serve as the care coordinator or ‘heart’ of an integrated seamless elder care system is dependent on the organization having a robust, evolved care coordination program in place.

### **Enable the fulfillment of mission and vision**

1. Create a ‘master plan’ to ensure that the new corporate structure is effective both legally (which is already resolved) and from a governance perspective.

In short, before beginning to operate within the newly approved structure, key governance considerations should be planned and resolved, including:

- Role of the boards – and, in particular, the reserved powers of the parent organization versus decision making responsibility at the operating entity level
- Overlap of boards – and the attendant recruitment efforts
- Meeting frequency
- Committee structure – as in whether a shared committee structure is anticipated (shared among the entities) or whether a committee structure exists for the parent, but operating entity boards act as a committee of the whole
- And others

2. Board development and growth

This initiative anticipates that the board(s) will move to a strategic model of governance – which brings with it new expectations of board members, new forms of meeting and interaction, different roles for committees and task forces, etc. The recently discussed Governance Committee appears to be the perfect vehicle to help shape this Initiative and the action steps

### 3. Effective branding, image and identity

Evaluate the brand identity and the current image of CCNRC. Determine the desired brand positioning (reflecting the strategies that are included in this plan) and then consider the changes that will be needed (i.e. name, etc.)

### 4. Develop a highly interactive website – that enables prospective consumers to advance their interest in residency/placement and enables prospective staff to do the same, in terms of opportunities, positions, responsibilities, etc.

### 5. Fund development

Steps include:

- Determining the charitable nature of CCNRC – as it relates to the communities served (in other words, what's the compelling case for giving to CCNRC)
- Determining the measures that will be used to evaluate whether CCNRC is, in fact, advancing that charitable purpose (both for internal and external use)
- Presuming that the first two are accomplished – then the reinvigoration of the Foundation becomes an easier undertaking
- And, at that point, a fund development plan can be developed that addresses the new role of the Foundation, the tactics to be used (which may include charitable trusts, annuities, others) and the measurements of success

## **Grow**

### 1. Complete the development of Home Place

Continue to advance the planning and development of the specialized memory care facility – followed by the use of research to (a) determine the success of the programming; (b) identify refinements that can/should be made; and (c) enable the promotion of the programming in the overall image building (and fund development efforts) for CCNRC

### 2. Complete the assisted living expansion on Washington Avenue

### 3. Evaluate the need and demand for additional services within Southern Maryland

- This can be accomplished by building on the market study completed earlier for assisted living and memory care

### 4. Evaluate the demand for Home care – as part of the above Initiative (or as a separate analysis) determine the demand for private duty home care, develop a business plan and then, if viable, pursue implementation either as a CCNRC business line or as a partnership or acquisition.

### 5. Explore potential additional nursing beds

Evaluate the opportunity to pursue 'waiver beds' (10 beds or 10%). Create a flexible execution plan that, pending the market analysis referenced above, enables beds to be

brought on line without significant capital costs. (Note – the market analysis will be helpful in determining whether additional beds are required on a long term basis or whether deteriorating utilization rates will reduce the demand in the mid to longer term).

6. Pursue strategic affiliations – with smaller or similarly sized senior living/senior care organizations. At the same time, a more formal affiliation with one of the health systems in the area may also be appropriate (as discussed earlier).

## Strategic Plan

INITIATIVES	GOALS	ACTIONS/OBJECTIVES	RESPONSIBILITY	DUE
1. Invest	1.1 Rehabilitation Unit expansion	1.1.1 MHCC submission Completed: March 2013	BH	FY 14
		1.1.2 Cost analysis Completed: March 2013	BH/DO	FY 14
		1.1.3 Final design and planning Completed March 2015	BH/MM/TR	FY 14
		1.1.4 Secure financing Completed: June 2012 (\$2.5mil MHHEFA, covers phase 1, \$3.5 mil additional commitment from OLB)	DO	FY 14
		1.1.5 Begin construction Completed: October 2015	MM	FY 14
	1.2 Create additional private rooms	1.2.1 Review current building for opportunity Completed: April 2014 (Private room created U100)	Senior Staff	FY 14
		1.2.2 Review ADS grant for explration Details Completed: November 2013	BH	FY 14
		1.2.3 Explore campus master site development plan Completed: June 2015	BH/MM	FY 15
	1.3 Transform the breezeway	1.3.1 Evaluate space Completed: March 2015 (Space to be demolished)	MM	FY 15
		1.3.2 Explore with 1.2.3 N/A	BH/MM	FY 15
	1.4 Evaluate small house models	1.4.1 Explore with 1.2.3 Completed: April 2014 Evaluated Greenhouse models in Boston.	BH/MM	FY 15
		1.4.2 Evaluate financial feasibility	DO	FY 15
	1.5 Develop long term IT plan	1.5.1 Assess evolving clinical needs	TR	FY 15
		1.5.2 Assess need for remote monitoring Completed: FY 2015 evaluation and determination to pursue remote monitoring in home care.	BH/TR	FY 15
		1.5.3 Assess integration of robotic technology	BH/TR	FY 16
	1.6 Enhance relationships	1.6.1 Expand relationship with CSM Completed: June 2013 CSM Nursing Program Returns. Engaged CSM to provide leadership training. Hosted Medical Coding and Dietitian student interns.	TR/BA/CP	FY 14
		1.6.2 Seek additional University relationships Completed: Provided internship programs for Penn St. Clinical Nursing Student, Ph.d. candidate from Walden University, Marketing intern from UMBC, and Dental Hygenist from Fortis College.	TR/BA/PY/BH	FY 15
		1.6.3 Expand relationship with local hospitals Completed: Feb 2014 Recruited Charles Regional to Board. Participate in Hospital Coalition.	TR/PY/CP	FY 15

## Strategic Plan

INITIATIVES	GOALS	ACTIONS/OBJECTIVES	RESPONSIBILITY	DUE
2. Enable	2.1 Board development	1.6.4 Expand relationship with local schools <b>Completed: TR on Robt. Stethem Educational Center (Pharmacy Tech) Advisory Committee. Students attend Sagepoint for practical experience.</b>	TR/BA/PY/CP	FY 15
		2.1.1 Work with board to ensure effective governance structure <b>Completed: Governance Committee Formed</b>	BH	FY 14
		2.1.2 Work with board to develop membership and grow <b>Completed: Assisted with recruitment of 2 new Board Members, and 11 member Advisory Task Force.</b>	BH	Continuous
	2.2 Develop brand, image, and identity	2.2.1 Evaluate brand identity and current image <b>Completed: March 2014</b>	BH/CP	FY 14
		2.2.2 Determine new brand positioning <b>Completed: August 2014</b>	BH/CP	FY 14
		2.2.3 Develop highly interactive website <b>Completed: January 2015</b>	BH/CP	FY 15
	2.3 Fund development	2.3.1 Work with board to identify and maintain relationships with alternative funding sources	BH/CP/PY/TR	Continuous
3. Grow	3.1 Develop Homeplace Program	3.1.1 Advance research to support success of program	PY	FY 15
		3.1.2 Evaluate need for additional units	PY/DO	FY 16
	3.2 Assisted Living Expansion	3.2.1 Secure property <b>Completed: November 2014</b>	BH	FY 14
		3.2.2 Complete design <b>Current Phase</b>	BH/MM/PY	FY 14
		3.2.3 Secure financing	DO	FY 14
		3.2.4 Begin construction	MM	FY 15
	3.3 Evaluate need and demand for additional services in Southern Maryland	3.3.1 Engage professional study to determine needs <b>Completed: December 2014 Independent Living Completed: March 2015 Innovative Models</b>	BH	FY 14
		3.3.2 Evaluate need for Home care <b>Completed September 2015; Purchased company</b>	BH/DO	FY 15
		3.3.3 Evaluate affiliations <b>Currently in negotiation.</b>	BH	FY 16

## Competitor Analysis Skilled Nursing Facilities

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>SNF Beds</b>	<b>Ownership Type</b>	<b>Medicare / Medicaid</b>	<b>Multi-facility owner</b>	<b>Miles from Sagepoint</b>
Sagepoint Care	10200 La Plata Rd	La Plata, MD	165	Nonprofit	Yes	No	
Genesis La Plata Center	1 Magnolia Drive	La Plata, MD	142	For Profit	Yes	Yes	.7
Restore Health Rehabilitation Center	4615 Einstein Place	White Plains, MD	60	For Profit	M/C	Yes	4.9
Genesis Waldorf Center	4140 Old Washington Road	Waldorf, MD	115	For Profit	Yes	Yes	7.7
Charlotte Hall Veterans Home	29449 Charlotte Hall Road	Charlotte Hall, MD	286	State/For Profit Mgmt	Yes	Yes	14.8
Ft. Washington Hlth & Rehabilitation Center	12021 Livingston Road	Ft. Washington, MD	150	For Profit	Yes	Yes	17.1
Manorcare Health Services – Alexandria	1510 Collingsworth Road	Alexandria, VA	96	For Profit	Yes	Yes	18.3
Belvoir Woods Healthcare Center	9160 Belvoir Woods	Ft. Belvoir, VA	56	For Profit	Yes	Yes	19.8
Calvert Nursing Center	85 Hospital Road	Prince Frederick, MD	149	Nonprofit	Yes	No	26.4
St. Mary's Nursing Center	21585 Peabody Street	Leonardtown, MD	167	Nonprofit	Yes	No	31.1

## Competitor Analysis Assisted Living Facilities

Name	Address	City	Total Beds	Memory Care Beds	Ownership Type	Multi-facility owner	Miles from Sagepoint Care
Sagepoint Memory Care	10210 La Plata Road	La Plata, MD	12	12	Nonprofit	Yes	
Sagepoint Gardens	121 – 123 Morris Drive	La Plata, MD	32	0	Nonprofit	Yes	2.6
Sagepoint Village	Washington Avenue	La Plata, MD	60	TBD	Nonprofit	Yes	2.6
Morningside House	70 Village Street	Waldorf, MD	99	25	For Profit	Yes	6.8
Fenwick Landing	11650 Doolittle Drive	Waldorf, MD	31	0	For Profit	Yes	7.3
The Charleston * <i>(Currently under construction)</i>	45 St. Patricks Drive	Waldorf, MD	168	77	For Profit	No	8.3
Charlotte Hall Veterans Home	29449 Charlotte Hall Road	Charlotte Hall, MD	184	0	State /For Profit Mgmt	Yes	14.8
Taylor Farms	21748 Oscar Hayden Rd	Bushwood, MD	24	24	For Profit	No	28.5
Cedar Lane Senior Living	22680 Cedar Lane Court	Leonardtwn, MD	49	0	Nonprofit	No	30.2
Autumn Assisted Living	23185 Milestone Way	California, MD	32	16	For Profit	Yes	32.1

\* The Charleston is currently under construction. The number of rooms is based on information provided by the ownership group in 2014. Management will only indicate they expect to “open in 2015”.

Analysis does not include small assisted living providers under 10 beds.

# Competitor Analysis Assisted Living Facilities

**SAGEPOINT SENIOR  
LIVING SERVICES  
AND AFFILIATES**

**OPERATING STATEMENTS**

**September 2015**

**Sagepoint Senior Living Services**

## Consolidating Statement of Financial Position

As of September 30, 2015

	Sagepoint Care (formerly CCNRC)	Sagepoint Senior Living Services (formerly FOCA)	Real Estate Holding	Foundation	Eliminations	Total	June 2015
<b>Assets</b>							
Cash and Cash Equivalents							
Operating Account	\$ 1,184,103	\$ 791,655	\$ 1,255,640	\$ 1,122	\$ -	\$ 3,232,519	\$ 3,808,905
Other Accounts	449,623	-	-	-	-	449,623	432,285
Certificates of Deposit	796,110	-	-	-	-	796,110	796,110
Total Cash and Cash Equivalents	2,429,836	791,655	1,255,640	1,122	-	4,478,252	5,037,300
Assets Whose Use Is Limited - Construction Reserve	-	-	1,019,656	-	-	1,019,656	1,056,242
Net Patient Receivable	1,382,870	-	-	-	-	1,382,870	1,309,787
Other Accounts Receivable	(60,195)	3,886	-	-	-	(56,310)	12,666
Due From Third Party Payors	(180,055)	-	-	-	-	(180,055)	(173,775)
Due From Related Parties	936,392	-	-	-	(936,392)	-	-
Inventory	118,807	-	-	-	-	118,807	118,807
Prepaid Expenses	309,858	2,285	-	625	-	312,768	188,473
Total Current Assets	4,937,512	797,825	2,275,295	1,747	(936,392)	7,075,988	7,549,500
Net Plant, Property and Equipment	1,690,335	-	17,072,963	-	-	18,763,298	18,673,031
Investments - Long Term	492,907	1,920,681	-	-	-	2,413,588	2,536,436
Goodwill	496,600	-	-	-	-	496,600	-
Deferred Financing Costs, Net of Amortization	-	-	169,083	-	-	169,083	171,032
<b>Total Assets</b>	<b>\$ 7,617,354</b>	<b>\$ 2,718,506</b>	<b>\$ 19,517,342</b>	<b>\$ 1,747</b>	<b>\$ (936,392)</b>	<b>\$ 28,918,557</b>	<b>\$ 28,929,998</b>
<b>Liabilities</b>							
Accounts Payable and Accrued Expenses	\$ 786,666	\$ 2,992	\$ 90,139	\$ -	\$ -	\$ 879,797	\$ 732,779
Accrued Salaries and Employee Benefits	199,715	133,069	-	-	-	332,784	472,488
Accrued Leave Liability	347,029	94,241	-	-	-	441,270	475,608
Other Liabilities	132,077	-	10,981	-	-	143,059	140,801
Due To Related Parties	-	17,426	918,341	625	(936,392)	-	-
Line of Credit - PNC	576,000	-	-	-	-	576,000	582,000
Current Portion Long Term Debt	-	-	227,982	-	-	227,982	227,982
Total Current Liabilities	2,041,487	247,728	1,247,443	625	(936,392)	2,600,892	2,631,659
Note Payable	-	-	7,254,705	-	-	7,254,705	7,314,249
<b>Total Liabilities</b>	<b>2,041,487</b>	<b>247,728</b>	<b>8,502,149</b>	<b>625</b>	<b>(936,392)</b>	<b>9,855,597</b>	<b>9,945,908</b>
<b>Net Assets</b>							
Unrestricted	5,512,766	2,519,056	10,951,147	1,122	-	18,984,090	18,402,099
Net Income / ( Loss )	63,101	(48,277)	64,047	-	-	78,870	581,991
<b>Total Net Assets</b>	<b>5,575,867</b>	<b>2,470,778</b>	<b>11,015,193</b>	<b>1,122</b>	<b>-</b>	<b>19,062,960</b>	<b>18,984,090</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,617,354</b>	<b>\$ 2,718,506</b>	<b>\$ 19,517,342</b>	<b>\$ 1,747</b>	<b>\$ (936,392)</b>	<b>\$ 28,918,557</b>	<b>\$ 28,929,998</b>

**Sagepoint Senior Living Services**

Consolidating Statement of Revenue and Expense  
For The Month Ended September 30, 2015

	Sagepoint Care (formerly CCNRC)	%	Sagepoint Senior Living Services (formerly FOCA)	%	Real Estate Holding	%	Foundation	%	Eliminations	Total	%	Consolidated Budget	%	Variance
Routine Services	\$ 1,403,705		\$ -		\$ -		\$ -			\$ 1,403,705		\$ 1,380,394		\$ 23,311
Ancillary and Other Services	238,431		-		-		-			238,431		268,156		(29,725)
Adult Day Care	92,471		-		-		-			92,471		90,160		2,311
Home Care	46,099		-		-		-							
Management Fee Income	-		142,346		-		-		(137,771)	4,575		4,575		-
Rental Income	-		-		99,054		-		(88,073)	10,981		11,146		(165)
<b>Gross Revenue</b>	<b>\$ 1,780,706</b>		<b>\$ 142,346</b>		<b>\$ 99,054</b>		<b>\$ -</b>		<b>\$ (225,844)</b>	<b>\$ 1,750,163</b>		<b>\$ 1,754,431</b>		<b>\$ (4,268)</b>
Routine Services	\$ 61,881		\$ -		\$ -		\$ -			\$ 61,881		\$ 11,870		\$ (50,011)
Ancillary and Other Services	206,398		-		-		-			206,398		245,953		39,555
Charity Care	640		-		-		-			640		1,000		360
<b>Total Allowances</b>	<b>\$ 268,919</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>	<b>\$ 268,919</b>		<b>\$ 258,823</b>		<b>\$ (10,096)</b>
<b>Total Net Revenue</b>	<b>\$ 1,511,787</b>		<b>\$ 142,346</b>		<b>\$ 99,054</b>		<b>\$ -</b>		<b>\$ (225,844)</b>	<b>\$ 1,481,244</b>		<b>\$ 1,495,608</b>		<b>\$ (14,364)</b>
Personnel Cost	\$ 793,752		\$ 108,066		\$ -		\$ -			\$ 901,818		\$ 933,218		\$ 31,400
Expendable Supplies	181,186		-		-		-			181,186		174,613		(6,573)
Purchased Services	370,971		8,097		14,755		-		(137,771)	256,052		229,574		(26,478)
Real Property Taxes	-		-		-		-			-		7,900		7,900
Repairs and Maintenance	26,812		-		-		-			26,812		19,669		(7,143)
Provision for Bad Debt	6,000		-		-		-			6,000		6,000		-
<b>Total Operating Expenses</b>	<b>\$ 1,378,721</b>		<b>\$ 116,163</b>		<b>\$ 14,755</b>		<b>\$ -</b>		<b>\$ (137,771)</b>	<b>\$ 1,371,868</b>		<b>\$ 1,370,974</b>		<b>\$ (894)</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 133,066</b>	<b>8.8%</b>	<b>\$ 26,183</b>	<b>18.4%</b>	<b>\$ 84,300</b>	<b>85.1%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ (88,073)</b>	<b>\$ 109,376</b>	<b>7.4%</b>	<b>\$ 124,634</b>	<b>8.3%</b>	<b>\$ (15,258)</b>
Interest	\$ 1,618		\$ -		\$ 19,314		\$ -			\$ 20,932		\$ 20,342		\$ (588)
Depreciation & Amortization	27,791		-		44,843		-			72,634		70,557		(2,077)
Rent Expense	89,445		-		-		-		(88,073)	1,372		-		(1,372)
<b>Total Interest and Depreciation</b>	<b>\$ 118,854</b>		<b>\$ -</b>		<b>\$ 64,158</b>		<b>\$ -</b>		<b>\$ (88,073)</b>	<b>\$ 94,939</b>		<b>\$ 90,899</b>		<b>\$ (4,038)</b>
<b>Earnings From Operations</b>	<b>\$ 14,212</b>		<b>\$ 26,183</b>		<b>\$ 20,142</b>		<b>\$ -</b>		<b>\$ -</b>	<b>\$ 14,438</b>		<b>\$ 33,735</b>		<b>\$ (19,297)</b>
Contributions	\$ 138		\$ -		\$ -		\$ -			\$ 138		\$ 833		\$ (695)
Non-Operating Inc(Exp)	3,403		3,099		60		-			\$ 6,562		3,629		\$ 2,933
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 17,753</b>		<b>\$ 29,282</b>		<b>\$ 20,202</b>		<b>\$ -</b>		<b>\$ -</b>	<b>\$ 21,138</b>		<b>\$ 38,197</b>		<b>\$ (17,059)</b>
Unrealized Gains/(Losses)	\$ (134)		\$ (44,383)		\$ -		\$ -			\$ (44,517)		\$ -		\$ (44,517)
<b>Net Income(Loss)</b>	<b>\$ 17,619</b>	<b>1.2%</b>	<b>\$ (15,101)</b>	<b>-10.6%</b>	<b>\$ 20,202</b>	<b>20.4%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ (23,380)</b>	<b>-1.6%</b>	<b>\$ 38,197</b>	<b>2.6%</b>	<b>\$ (61,577)</b>

**Sagepoint Senior Living Services**

 Consolidating Statement of Revenue and Expense  
 For The Year-To-Date Ended September 30, 2015

	Sagepoint Care (formerly CCNRC)	%	Sagepoint Senior Living Services (formerly FOCA)	%	Real Estate Holding	%	Foundation	%	Eliminations	Total	%	Consolidated Budget	%	Variance
Routine Services	\$ 4,268,654		\$ -		\$ -		\$ -		\$ -	\$ 4,268,654		\$ 4,227,488		\$ 41,166
Ancillary and Other Services	690,964		-		-		-		-	690,964		821,138		(130,174)
Adult Day Care	286,893		-		-		-		-	286,893		285,120		1,773
Home Care	46,099		-		-		-		-	46,099		-		46,099
Management Fee Income	-		427,038		-		-		(413,313)	13,725		13,725		-
Rental Income	-		-		297,163		-		(264,219)	32,944		33,438		(494)
<b>Gross Revenue</b>	<b>\$ 5,292,610</b>		<b>\$ 427,038</b>		<b>\$ 297,163</b>		<b>\$ -</b>		<b>\$ (677,532)</b>	<b>\$ 5,339,279</b>		<b>\$ 5,380,909</b>		<b>\$ (41,630)</b>
Routine Services	\$ 149,853		\$ -		\$ -		\$ -		\$ -	\$ 149,853		\$ 36,485		\$ (113,368)
Ancillary and Other Services	604,815		-		-		-		-	604,815		753,149		148,334
Charity Care	790		-		-		-		-	790		3,000		2,210
<b>Total Allowances</b>	<b>\$ 755,458</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>	<b>\$ 755,458</b>		<b>\$ 792,634</b>		<b>\$ 37,176</b>
<b>Total Net Revenue</b>	<b>\$ 4,537,152</b>		<b>\$ 427,038</b>		<b>\$ 297,163</b>		<b>\$ -</b>		<b>\$ (677,532)</b>	<b>\$ 4,583,821</b>		<b>\$ 4,588,275</b>		<b>\$ (4,454)</b>
Personnel Cost	\$ 2,460,553		\$ 330,626		\$ -		\$ -		\$ -	\$ 2,791,179		\$ 2,879,887		\$ 88,708
Expendable Supplies	513,579		86		-		-		-	513,665		521,679		8,014
Purchased Services	1,061,636		23,534		40,988		-		(413,313)	712,844		707,722		(5,122)
Real Property Taxes	-		-		-		-		-	-		23,700		23,700
Repairs and Maintenance	79,448		-		-		-		-	79,448		59,007		(20,441)
Provision for Bad Debt	18,000		-		-		-		-	18,000		18,000		-
<b>Total Operating Expenses</b>	<b>\$ 4,133,216</b>		<b>\$ 354,245</b>		<b>\$ 40,988</b>		<b>\$ -</b>		<b>\$ (413,313)</b>	<b>\$ 4,115,136</b>		<b>\$ 4,209,995</b>		<b>\$ 94,859</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 403,936</b>	<b>8.9%</b>	<b>\$ 72,793</b>	<b>17.0%</b>	<b>\$ 256,175</b>	<b>86.2%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ (264,219)</b>	<b>\$ 468,685</b>	<b>10.2%</b>	<b>\$ 378,280</b>	<b>8.2%</b>	<b>\$ 90,405</b>
Interest	\$ 4,818		\$ -		\$ 57,994		\$ -		\$ -	\$ 62,812		\$ 60,719		\$ (2,091)
Depreciation & Amortization	81,577		-		134,279		-		-	215,856		211,671		(4,185)
Rent Expense	265,591		-		-		-		(264,219)	1,372		-		(1,372)
<b>Total Interest and Depreciation</b>	<b>\$ 351,986</b>		<b>\$ -</b>		<b>\$ 192,272</b>		<b>\$ -</b>		<b>\$ (264,219)</b>	<b>\$ 280,039</b>		<b>\$ 272,390</b>		<b>\$ (7,647)</b>
<b>Earnings From Operations</b>	<b>\$ 51,950</b>		<b>\$ 72,793</b>		<b>\$ 63,903</b>		<b>\$ -</b>		<b>\$ -</b>	<b>\$ 188,646</b>		<b>\$ 105,890</b>		<b>\$ 82,756</b>
Contributions	\$ 900		\$ -		\$ -		\$ -		\$ -	\$ 900		\$ 2,500		\$ (1,600)
Non-Operating Inc(Exp)	10,538		5,064		153		-		-	15,754		10,887		4,867
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 63,388</b>		<b>\$ 77,857</b>		<b>\$ 64,056</b>		<b>\$ -</b>		<b>\$ -</b>	<b>\$ 205,300</b>		<b>\$ 119,277</b>		<b>\$ 86,023</b>
Unrealized Gains/(Losses)	\$ (295)		\$ (126,134)		\$ -		\$ -		\$ -	\$ (126,429)		\$ -		\$ (126,429)
<b>Net Income(Loss)</b>	<b>\$ 63,093</b>	<b>1.4%</b>	<b>\$ (48,277)</b>	<b>-11.3%</b>	<b>\$ 64,056</b>	<b>21.6%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ 78,871</b>	<b>1.7%</b>	<b>\$ 119,277</b>	<b>2.6%</b>	<b>\$ (40,406)</b>

**Sagepoint Senior Living Services**

## Consolidating Statement of Cash Flow

For The Three Months Ended September 30, 2015

	Sagepoint Care (formerly CCNRC)	Sagepoint Senior Living Services (formerly FOCA)	Real Estate Holding	Foundation	Eliminations	Total
<b>Cash Flow From Operating Activities</b>						
Change In Net Assets	\$ 63,101	\$ (48,277)	\$ 64,047	\$ -	\$ -	\$ 78,870
Adjustments To Reconcile Increase In Net Assets To Net Cash Provided By Operating Activities:						
Depreciation & Amortization	81,577	-	134,279	-	-	215,856
Provision For Bad Debts	12,335	-	-	-	-	12,335
(Increase) Decrease In Accounts Receivable	(17,482)	1,040	-	-	-	(16,443)
(Increase) Decrease In Inventory	0	-	-	-	-	0
(Increase) Decrease In Construction Reserve	-	-	36,586	-	-	36,586
(Increase) Decrease In Due From Third Party Payors	6,280	-	-	-	-	6,280
(Increase) Decrease In Due From Related Parties	5,933	(10,312)	4,379	-	-	2
(Increase) Decrease In Prepaid Expenses	(127,284)	2,989	-	-	-	(124,295)
(Increase) Decrease In Deferred Financing Costs	-	-	-	-	-	-
(Increase) Decrease In Goodwill	(496,600)	-	-	-	-	(496,600)
Increase (Decrease) In Accounts Payable And Accrued Expenses	81,544	2,992	64,739	-	-	149,273
Increase (Decrease) In Accrued Salaries And Employee Benefits	(147,402)	7,698	-	-	-	(139,705)
Increase (Decrease) In Accrued Compensated Absences	(19,742)	(14,595)	-	-	-	(34,337)
Increase (Decrease) In Current Portion Long Term Debt	-	-	-	-	-	-
Increase (Decrease) In Other Liabilities	-	-	-	-	-	-
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>(557,740)</b>	<b>(58,467)</b>	<b>304,029</b>	<b>-</b>	<b>-</b>	<b>(312,177)</b>
<b>Cash Flow From Investing Activities</b>						
Purchase Of Property and Equipment	(38,687)	-	(265,486)	-	-	(304,173)
Investments	(2,656)	125,504	-	-	-	122,848
Disposal Of Property	-	-	-	-	-	-
<b>Net Cash Used By Investing Activities</b>	<b>(41,344)</b>	<b>125,504</b>	<b>(265,486)</b>	<b>-</b>	<b>-</b>	<b>(181,326)</b>
<b>Cash Flow From Financing Activities</b>						
Net Borrowing / (Payments) On Debt	(6,000)	-	(59,544)	-	-	(65,544)
Net Asset Transfer	-	-	-	-	-	-
<b>Net Cash (Used) / Provided By Financing Activities</b>	<b>(6,000)</b>	<b>-</b>	<b>(59,544)</b>	<b>-</b>	<b>-</b>	<b>(65,544)</b>
<b>Net Increase / (Decrease) In Cash</b>	<b>(605,084)</b>	<b>67,037</b>	<b>(21,001)</b>	<b>-</b>	<b>-</b>	<b>(559,047)</b>
Cash And Cash Equivalents Beginning July 1, 2015	3,034,920	724,617	1,276,641	1,122	-	5,037,300
<b>Cash And Cash Equivalents September 30, 2015</b>	<b>\$ 2,429,836</b>	<b>\$ 791,655</b>	<b>\$ 1,255,640</b>	<b>\$ 1,122</b>	<b>\$ -</b>	<b>\$ 4,478,252</b>



Oppenheimer & Co. Inc.  
 85 Broad Street  
 New York, NY 10004  
 (212) 668-8000  
 Transacts Business on All Principal Exchanges

# STATEMENT OF ACCOUNT



## News and Information

Please see the last page of this statement for important information from Oppenheimer & Co. Inc., including the availability of our Statement of Financial Condition as of June 30, 2015.

A document entitled "Information for Senior Investors" appears after the statement.

Account Number: B29-0156146  
 For the Period: 09/01/15 - 09/30/15

Tax ID Number: ON FILE  
 Last Statement: 08/31/15  
 Page 1 of 24

2530000772 PSRT 3.22 <>  
 FAMILY OF CARE ALLIANCE INC  
 10200 LA PLATA RD  
 LA PLATA MD 20646-3245



## Portfolio Summary

	This Period 09/30/15	Previous Period 08/31/15	Estimated Annual Income
Advantage Bank Deposits*	\$129,935.94	\$140,683.52	\$9.74
Equities	615,988.52	631,112.25	12,016.03
Mutual Funds	681,249.31	695,811.70	9,188.49
Government Bonds	50,794.25	50,349.50	843.75
Government Agency Bonds	50,179.25	50,094.75	500.00
Corporate Bonds	392,319.28	394,354.64	14,664.65
Cash Account Balance	214.28	26.24	
<b>Total Asset Value</b>	<b>\$1,920,680.83</b>	<b>\$1,962,432.60</b>	<b>\$37,222.66</b>

Net Value of Accrued Interest \$3,885.94 \$3,476.91  
 Total Asset Value does not include Direct Investments, Accrued Interest or unpriced securities.  
 \* Eligible for FDIC insurance, not SIPC insured.

## Cash Activity Summary

Opening Cash Balance	\$26.24
Net Buy and Sell Transactions	-13,928.71
Net Miscellaneous Credits/Debits	-33.90
Net Income Activity	3,403.07
Net Advantage Bank Deposit Activity	10,747.58
<b>Closing Cash Balance</b>	<b>\$214.28</b>

Financial Advisor  
 THOMPSON, PAT G  
 N30  
 810-694-2980

Internet Address: [www.opco.com](http://www.opco.com)

Office Serving Your Account  
 9475 HOLLY ROAD  
 SUITE 200  
 GRAND BLANC, MI 48439

## Income Summary

	This Period	Year to Date
<b>Reportable</b>		
Money Fund Div Taxable	\$0.00	\$3.29
LT Capital Gain Distributions	0.00	1,744.86
ST Capital Gain Distributions	0.00	3,070.63
Advantage Bank Dep Interest	0.87	4.88
Corporate Accrued Int Received	0.00	977.67
Foreign Tax Withheld	-24.03	-761.40
Corporate Interest	725.25	13,381.63
Government Interest	156.25	921.88
Dividends	2,520.70	15,845.01
<b>Total Reportable</b>	<b>\$3,379.04</b>	<b>\$35,188.45</b>
<b>Non-Reportable</b>		
Corporate Accrued Int Paid	\$0.00	\$-644.29
<b>Total Non-Reportable</b>	<b>\$0.00</b>	<b>\$-644.29</b>

Sagepoint Care (formerly CCNRC)  
 Summary of Financial Indicators  
 For the Month and Year Ended September 30, 2015

	Month			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>Statistics</b>						
<b>Nursing Center</b>						
Patient Days	4,564	4,522	42	14,091	13,847	244
Average Daily Census	152.1	150.7	1.4	153.2	150.5	2.7
Occupancy	96.9%	96.0%	0.9%	94.3%	95.9%	-1.5%
Medicare A Days	506	647	(141)	1,495	1,981	(486)
<b>Adult Day Center</b>						
Visits	1,107	1,127	(20)	3,433	3,564	(131)
<b>Sagepoint Gardens</b>						
Resident Days	949	930	19	2,882	2,760	122
Average Daily Census	31.6	31.0	0.6	31.3	30.0	1.3
Occupancy	98.9%	96.9%	2.0%	97.9%	93.8%	4.1%
<b>Memory Care</b>						
Resident Days	360	300	60	1,057	920	137
Average Daily Census	12.0	10.0	2.0	11.5	10.0	1.5
Occupancy	100.0%	83.3%	16.7%	95.7%	83.3%	12.4%
<hr/>						
Net Revenue	\$ 1,511,787	\$ 1,479,887	\$ 31,900	\$ 4,537,152	\$ 4,541,112	\$ (3,960)
Operating Expenses	\$ 1,378,721	\$ 1,381,359	\$ 2,638	\$ 4,133,216	\$ 4,231,530	\$ 98,314
EBIDAR	\$ 133,066	\$ 98,528	\$ 34,538	\$ 403,936	\$ 309,582	\$ 94,354
Net Income / (Loss)	\$ 17,619	\$ (11,616)	\$ 29,235	\$ 63,093	\$ (20,849)	\$ 83,942
Net Income / (Loss) Percentage	1.2%	-0.8%	2.0%	1.4%	-0.5%	1.8%
<hr/>						
<b>Sagepoint Gardens</b>						
Net Revenue	\$ 151,176	\$ 141,668	\$ 9,508	\$ 458,466	\$ 434,332	\$ 24,134
EBIDAR	\$ 67,672	\$ 45,883	\$ 21,789	\$ 190,862	\$ 141,781	\$ 49,081
Abbey Manor EBIDAR %	44.8%	32.4%	12.4%	41.6%	32.6%	9.0%
<hr/>						
<b>Memory Care</b>						
Net Revenue	\$ 60,714	\$ 51,726	\$ 8,988	\$ 178,138	\$ 158,547	\$ 19,591
EBIDAR	\$ 28,215	\$ 15,795	\$ 12,420	\$ 76,379	\$ 49,338	\$ 27,041
Homeplace EBIDAR %	46.5%	30.5%	15.9%	42.9%	31.1%	11.8%
<hr/>						
Nursing Wages	\$ 442,322	\$ 453,042	\$ 10,720	\$ 1,357,699	\$ 1,388,507	\$ 30,808
Agency Cost	-	-	-	-	-	-
Total Nursing Cost	\$ 442,322	\$ 453,042	\$ 10,720	\$ 1,357,699	\$ 1,388,507	\$ 30,808
<hr/>						
Nursing Cost PPD	\$ 96.92	\$ 100.19	\$ 3.27	\$ 96.35	\$ 100.27	\$ 3.92
<hr/>						
Pharmacy - Med A	\$ 33,680	\$ 31,092	\$ (2,588)	\$ 85,965	\$ 93,276	\$ 7,311
Per Medicare A Day	\$ 66.56	\$ 48.06	\$ (18.51)	\$ 57.50	\$ 47.09	\$ (10.42)
Therapy	\$ 64,140	\$ 71,767	\$ 7,627	\$ 183,782	\$ 215,301	\$ 31,519
Per Patient Day	\$ 14.05	\$ 15.87	\$ 1.82	\$ 13.04	\$ 15.55	\$ 2.51

	Current Month	Prior Month	Change		Prior FYE	Change
Medicaid Case-Mix Index	0.9640	0.9640	-		0.9012	0.0628
Accounts Receivable (incl. Home Care)	2,044,078	2,028,810	15,269		1,955,944	88,135
Days in A/R (excl. Home Care)	41.48	41.83	(0.35)		39.96	1.52
Cash and Cash Equivalents	2,429,836	2,968,124	(538,288)		3,034,920	(605,084)
Investments	492,907	492,624	283		490,251	2,656
Total	2,922,744	3,460,748	(538,005)		3,525,171	(602,427)
Total Days Cash on Hand	66.0	77.5	(11.6)		77.5	(11.5)
Use of Line of Credit	576,000	578,000	(2,000)		582,000	(6,000)
Current Portion of Long-Term Debt	227,982	227,982	-		227,982	-

# **Sagepoint Care (formerly CCNRC)**

## **OPERATING STATEMENTS**

**September 2015**

# TABLE OF CONTENTS

	Page
Statement of Patient Day Statistics	
Statement of Revenue and Expense: Actual vs. Budget	2
Statement of Revenue and Expense - Business Unit Month Ended	3
Statement of Revenue and Expense - Business Unit Year to Date	4
Statement of Financial Position	5
Statement of Cash Flow	6
<b><u>Supplemental Information</u></b>	
Analysis of Nurse - Agency Costs	7
Accounts Receivable Aging Report	8
Calculation of A/R Days	9
Aging by Payor - System Generated	10
Accounts Payable Analysis	11
Accounts Payable Aging - System Generated	12
Statement of Revenue and Expense: Actual vs. Budget	
Nursing Center(U100,U200,U300)	13
Nursing Center Unit 100	14
Nursing Center Unit 200	15
Nursing Center Unit 300	16
Rehabilitation Center	17
Adult Day Services La Plata	18
Non Nursing Care	19
Administration	20
Statement of Revenue and Expense: Monthly	
Nursing Center(U100,U200,U300)	21
Nursing Center Unit 100	22
Nursing Center Unit 200	23
Nursing Center Unit 300	24
Rehabilitation Center	25
Adult Day Services La Plata	26
Non Nursing Care	27
Administration	28
Consolidation	28a
Abbey Manor	29
Abbey Manor-Budget	29a
Homeplace	30
Homeplace-Budget	30a
Medical Arts Building	31
Medical Arts Building-Budget	31a

**Sagepoint Care**

Statement of Patient Day Statistics

For the Month and Year Ended September 30, 2015

Unit	Month Ended September 2015			ME	Year to Date September 2015			YTD
	Actual	Budget	Variance	Sep-14	Actual	Budget	Variance	Sep-14
Unit 100 - LTC	1,521	1,483	38	1,552	4,654	4,542	112	4,673
Unit 100 - Medicare	65	65	-	25	165	200	(35)	179
Unit 200 - LTC	1,495	1,491	4	1,533	4,545	4,565	(20)	4,560
Unit 200 - Medicare	5	11	(6)	-	5	33	(28)	20
Unit 300 - LTC	875	854	21	1,117	2,957	2,616	341	3,409
Unit 300 - Medicare	49	43	6	39	132	131	1	133
Rehabilitation	554	575	(21)	591	1,633	1,760	(127)	1,706
<b>Total</b>	<b>4,564</b>	<b>4,522</b>	<b>42</b>	<b>4,857</b>	<b>14,091</b>	<b>13,847</b>	<b>244</b>	<b>14,680</b>

**Payor Source**

<b>Rehab</b>								
Medicare A	506	647	(141)	597	1,495	1,981	(486)	1,873
Carefirst	22	31	(9)	3	84	93	(9)	50
Subtotal - Rehab	528	678	(150)	600	1,579	2,074	(495)	1,923
<b>LTC</b>								
Hospice	-	-	-	-	-	-	-	-
Medicaid (See Note below)	3,373	3,175	198	3,489	10,469	9,725	744	10,626
Private	614	619	(5)	711	1,903	1,896	7	1,961
Subtotal - LTC	3,987	3,794	193	4,200	12,372	11,621	751	12,587
Bedhold	49	50	(1)	57	140	152	(12)	170
<b>Total</b>	<b>4,564</b>	<b>4,522</b>	<b>42</b>	<b>4,857</b>	<b>14,091</b>	<b>13,847</b>	<b>244</b>	<b>14,680</b>
Patient Days	4,564	4,522	42	4,857	14,091	13,847	244	14,680
Available Days	4,710	4,710	-	4,950	14,940	14,444	496	15,180
Occupancy	96.9%	96.0%	0.9%	98.1%	94.3%	95.9%	-1.5%	96.7%

**Adult Day Services**

Private and Other	65	113	(48)	68	195	357	(162)	259
Medicaid	1,042	1,014	28	1,071	3,238	3,207	31	3,278
<b>Total La Plata Center</b>	<b>1,107</b>	<b>1,127</b>	<b>(20)</b>	<b>1,139</b>	<b>3,433</b>	<b>3,564</b>	<b>(131)</b>	<b>3,537</b>

**Abbey Manor**

Level I	450			510	1,374			1,564
Level II	499			380	1,508			1,118
Level III	-			-	-			33
<b>Total</b>	<b>949</b>	<b>930</b>	<b>19</b>	<b>890</b>	<b>2,882</b>	<b>2,760</b>	<b>122</b>	<b>2,715</b>
Occupancy	98.9%	96.9%	2.0%	92.7%	97.9%	93.8%	4.1%	92.2%

**Homeplace**

Room & Board	360	300	60	301	1,057	920	137	921
<b>Total</b>	<b>360</b>	<b>300</b>	<b>60</b>	<b>301</b>	<b>1,057</b>	<b>920</b>	<b>137</b>	<b>921</b>
Occupancy	100.0%	83.3%	16.7%	83.6%	95.7%	83.3%	12.4%	83.4%

**Home Care**

Private and Other	121	-	121	-	121	-	121	-
<b>Total</b>	<b>121</b>	<b>-</b>	<b>121</b>	<b>-</b>	<b>121</b>	<b>-</b>	<b>121</b>	<b>-</b>

## Sagepoint Care

## Statement of Revenue and Expense

## Consolidated

	Month Ended September 2015					ME	Year to Date September 2015					YTD
	Actual		Budget		Variance	Sep-14	Actual		Budget		Variance	Sep-14
		%		%		Actual		%		%		Actual
Routine Services	\$ 1,403,705		\$ 1,380,394		\$ 23,311	\$ 1,406,554	\$ 4,268,654		\$ 4,227,488		\$ 41,166	\$ 4,228,875
Ancillary and Other Services	238,431		268,156		(29,725)	252,904	690,964		821,138		(130,174)	794,453
Adult Day Care	92,471		90,160		2,311	95,035	286,893		285,120		1,773	296,641
Home Care	46,099		-		46,099	-	46,099		-		46,099	-
<b>Gross Revenue</b>	<b>\$ 1,780,706</b>		<b>\$ 1,738,710</b>		<b>\$ 41,996</b>	<b>\$ 1,754,493</b>	<b>\$ 5,292,610</b>		<b>\$ 5,333,746</b>		<b>\$ (41,136)</b>	<b>\$ 5,319,969</b>
Routine Services	\$ 61,881		\$ 11,870		\$ (50,011)	\$ 31,244	\$ 149,853		\$ 36,485		\$ (113,368)	\$ 45,380
Ancillary and Other Services	206,398		245,953		39,555	198,765	604,815		753,149		148,334	661,903
Charity Care	640		1,000		360	125	790		3,000		2,210	855
<b>Total Allowances</b>	<b>\$ 268,919</b>		<b>\$ 258,823</b>		<b>\$ (10,096)</b>	<b>\$ 230,134</b>	<b>\$ 755,458</b>		<b>\$ 792,634</b>		<b>\$ 37,176</b>	<b>\$ 708,137</b>
<b>Total Net Revenue</b>	<b>\$ 1,511,787</b>		<b>\$ 1,479,887</b>		<b>\$ 31,900</b>	<b>\$ 1,524,358</b>	<b>\$ 4,537,152</b>		<b>\$ 4,541,112</b>		<b>\$ (3,960)</b>	<b>\$ 4,611,832</b>
Personnel Cost	\$ 793,752		\$ 824,051		\$ 30,299	\$ 806,426	\$ 2,460,553		\$ 2,542,766		\$ 82,213	\$ 2,525,048
Expendable Supplies	181,186		174,165		(7,021)	168,758	513,579		520,335		6,756	506,182
Purchased Services	370,971		349,574		(21,397)	332,469	1,061,636		1,067,722		6,086	1,038,175
Real Property Taxes	-		7,900		7,900	-	-		23,700		23,700	-
Repairs and Maintenance	26,812		19,669		(7,143)	20,038	79,448		59,007		(20,441)	62,935
Provision for Bad Debt	6,000		6,000		-	6,000	18,000		18,000		-	18,000
<b>Total Operating Expenses</b>	<b>\$ 1,378,721</b>		<b>\$ 1,381,359</b>		<b>\$ 2,638</b>	<b>\$ 1,333,691</b>	<b>\$ 4,133,216</b>		<b>\$ 4,231,530</b>		<b>\$ 98,314</b>	<b>\$ 4,150,340</b>
<b>Earnings Before Interest, Depreciation</b>												
<b>Amortization and Rent Expense</b>	<b>\$ 133,066</b>	<b>8.8%</b>	<b>\$ 98,528</b>	<b>6.7%</b>	<b>\$ 34,538</b>	<b>\$ 190,667</b>	<b>\$ 403,936</b>	<b>8.9%</b>	<b>\$ 309,582</b>	<b>6.8%</b>	<b>\$ 94,354</b>	<b>\$ 461,492</b>
Interest	\$ 1,618		\$ -		\$ (1,616)	\$ 1,679	\$ 4,818		\$ -		\$ (4,816)	\$ 4,983
Depreciation & Amortization	27,791		26,533		(1,258)	25,098	81,577		79,599		(1,978)	74,242
Rent Expense	89,445		88,073		(1,372)	87,412	265,591		264,219		(1,372)	262,236
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 118,854</b>		<b>\$ 114,606</b>		<b>\$ (4,246)</b>	<b>\$ 114,189</b>	<b>\$ 351,986</b>		<b>\$ 343,818</b>		<b>\$ (8,166)</b>	<b>\$ 341,461</b>
Non Nursing Care Expense Transfer	\$ (0)		\$ -		\$ 0	\$ -	\$ -		\$ -		\$ -	\$ -
Administrative Expense Transfer	-		-		-	-	-		-		-	-
<b>Earnings From Operations</b>	<b>\$ 14,212</b>		<b>\$ (16,078)</b>		<b>\$ 30,290</b>	<b>\$ 76,478</b>	<b>\$ 51,950</b>		<b>\$ (34,236)</b>		<b>\$ 86,186</b>	<b>\$ 120,031</b>
Contributions	\$ 138		\$ 833		\$ (695)	\$ -	\$ 900		\$ 2,500		\$ (1,600)	\$ -
Non-Operating Inc(Exp)	3,403		3,629		(226)	4,627	10,538		10,887		(349)	28,610
<b>Earnings Before Reserve</b>	<b>\$ 17,753</b>		<b>\$ (11,616)</b>		<b>\$ 29,369</b>	<b>\$ 81,105</b>	<b>\$ 63,388</b>		<b>\$ (20,849)</b>		<b>\$ 84,237</b>	<b>\$ 148,642</b>
Reserve For Replacements	\$ -		\$ -		\$ -	\$ -	\$ -		\$ -		\$ -	\$ -
<b>Earnings Before Unrealized</b>												
<b>Gains/(Losses)</b>	<b>\$ 17,753</b>		<b>\$ (11,616)</b>		<b>\$ 29,369</b>	<b>\$ 81,105</b>	<b>\$ 63,388</b>		<b>\$ (20,849)</b>		<b>\$ 84,237</b>	<b>\$ 148,642</b>
Unrealized Gains/(Losses)	\$ (134)		\$ -		\$ (134)	\$ (516)	\$ (295)		\$ -		\$ (295)	\$ (523)
<b>Net Income (Loss)</b>	<b>\$ 17,619</b>	<b>1.2%</b>	<b>\$ (11,616)</b>	<b>-0.8%</b>	<b>\$ 29,235</b>	<b>\$ 80,588</b>	<b>\$ 63,093</b>	<b>1.4%</b>	<b>\$ (20,849)</b>	<b>-0.5%</b>	<b>\$ 83,942</b>	<b>\$ 148,119</b>

Sagepoint Care  
Statement of Revenue and Expense

Consolidated Month Ended September 30, 2015

	Unit 100	Unit 200	Unit 300	Rehab	ADS LP	Non Nurse	Admin	Nursing Home Total	Sagepoint Gardens	Memory Care	Home Care	Total
Routine Services	\$ 400,350	\$ 377,850	\$ 235,150	\$ 178,500	\$ -	\$ -	\$ -	\$ 1,191,850	\$ 151,141	\$ 60,714	\$ -	\$ 1,403,705
Ancillary and Other Services	41,376	43,629	26,421	126,970	-	-	-	238,396	35	-	-	238,431
Adult Day Care	-	-	-	-	92,471	-	-	92,471	-	-	-	92,471
Home Care	-	-	-	-	-	-	-	-	-	-	46,099	46,099
<b>Gross Revenue</b>	<b>\$ 441,726</b>	<b>\$ 421,479</b>	<b>\$ 261,571</b>	<b>\$ 305,470</b>	<b>\$ 92,471</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,522,717</b>	<b>\$ 151,176</b>	<b>\$ 60,714</b>	<b>\$ 46,099</b>	<b>\$ 1,780,706</b>
Routine Services	\$ 42,372	\$ 48,309	\$ 23,622	\$ (55,999)	\$ 3,577	\$ -	\$ -	\$ 61,881	\$ -	\$ -	\$ -	\$ 61,881
Ancillary and Other Services	32,699	28,360	17,401	127,918	-	-	-	206,398	-	-	-	206,398
Charity Care	-	-	-	-	-	-	640	640	-	-	-	640
<b>Total Allowances</b>	<b>\$ 75,071</b>	<b>\$ 76,689</b>	<b>\$ 41,023</b>	<b>\$ 71,919</b>	<b>\$ 3,577</b>	<b>\$ -</b>	<b>\$ 640</b>	<b>\$ 268,919</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 268,919</b>
<b>Total Net Revenue</b>	<b>\$ 366,655</b>	<b>\$ 344,790</b>	<b>\$ 220,548</b>	<b>\$ 233,551</b>	<b>\$ 88,894</b>	<b>\$ -</b>	<b>\$ (640)</b>	<b>\$ 1,253,798</b>	<b>\$ 151,176</b>	<b>\$ 60,714</b>	<b>\$ 46,099</b>	<b>\$ 1,511,787</b>
Personnel Cost	\$ 128,291	\$ 122,860	\$ 94,763	\$ 98,653	\$ 47,613	\$ 66,418	\$ 159,774	\$ 718,372	\$ 50,058	\$ 19,288	\$ 6,034	\$ 793,752
Expendable Supplies	23,682	19,221	14,493	31,343	8,431	40,751	22,243	160,164	12,524	4,771	3,727	181,186
Purchased Services	9,620	12,125	7,565	42,757	13,017	1,690	224,007	310,781	16,927	8,096	35,167	370,971
Real Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	13	-	-	-	4,451	794	17,215	22,473	3,995	344	-	26,812
Provision for Bad Debt	-	-	-	-	-	-	6,000	6,000	-	-	-	6,000
<b>Total Operating Expenses</b>	<b>\$ 161,606</b>	<b>\$ 154,206</b>	<b>\$ 116,821</b>	<b>\$ 172,753</b>	<b>\$ 73,512</b>	<b>\$ 109,653</b>	<b>\$ 429,239</b>	<b>\$ 1,217,790</b>	<b>\$ 83,504</b>	<b>\$ 32,499</b>	<b>\$ 44,928</b>	<b>\$ 1,378,721</b>
<b>Earnings Before Interest, Depreciation Amortization and Rent Expense</b>	<b>\$ 205,049</b>	<b>\$ 190,584</b>	<b>\$ 103,727</b>	<b>\$ 60,798</b>	<b>\$ 15,382</b>	<b>\$ (109,653)</b>	<b>\$ (429,879)</b>	<b>\$ 36,008</b>	<b>\$ 67,672</b>	<b>\$ 28,215</b>	<b>\$ 1,171</b>	<b>\$ 133,066</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,618	\$ 1,618	\$ -	\$ -	\$ -	\$ 1,618
Depreciation & Amortization	-	-	-	-	2,860	-	22,456	25,316	1,370	1,105	-	27,791
Rent Expense	-	-	-	-	3,468	-	42,376	45,844	29,013	13,216	1,372	89,445
<b>Total Interest, Depreciation and Rent</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,328</b>	<b>\$ -</b>	<b>\$ 66,450</b>	<b>\$ 72,778</b>	<b>\$ 30,383</b>	<b>\$ 14,321</b>	<b>\$ 1,372</b>	<b>\$ 118,854</b>
NonNursing Care Expense Transf	\$ 38,105	\$ 36,038	\$ 22,200	\$ 13,310	\$ -	\$ (109,653)	\$ -	\$ (0)	\$ -	\$ -	\$ -	\$ (0)
Administrative Expense Transfer	159,221	156,217	117,163	63,088	-	-	(496,689)	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 7,723</b>	<b>\$ (1,672)</b>	<b>\$ (35,636)</b>	<b>\$ (15,600)</b>	<b>\$ 9,054</b>	<b>\$ -</b>	<b>\$ (640)</b>	<b>\$ (36,770)</b>	<b>\$ 37,289</b>	<b>\$ 13,894</b>	<b>\$ (201)</b>	<b>\$ 14,212</b>
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138	\$ 138	\$ -	\$ -	\$ -	\$ 138
Non-Operating Inc(Exp)	1,665	900	1,349	573	36	-	(1,120)	3,403	-	-	-	3,403
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 9,388</b>	<b>\$ (772)</b>	<b>\$ (34,287)</b>	<b>\$ (15,027)</b>	<b>\$ 9,090</b>	<b>\$ -</b>	<b>\$ (1,622)</b>	<b>\$ (33,229)</b>	<b>\$ 37,289</b>	<b>\$ 13,894</b>	<b>\$ (201)</b>	<b>\$ 17,753</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (134)	\$ (134)	\$ -	\$ -	\$ -	\$ (134)
<b>Net Income (Loss)</b>	<b>\$ 9,388</b>	<b>\$ (772)</b>	<b>\$ (34,287)</b>	<b>\$ (15,027)</b>	<b>\$ 9,090</b>	<b>\$ -</b>	<b>\$ (1,756)</b>	<b>\$ (33,363)</b>	<b>\$ 37,289</b>	<b>\$ 13,894</b>	<b>\$ (201)</b>	<b>\$ 17,619</b>

Sagepoint Care

Statement of Revenue and Expense

Consolidated Year To Date September 30, 2015

	Unit 100	Unit 200	Unit 300	Rehab	ADS LP	Non Nurse	Admin	Nursing Home Total	Sagepoint Gardens	Memory Care	Home Care	Total
Routine Services	\$ 1,196,930	\$ 1,131,130	\$ 767,795	\$ 536,230	\$ -	\$ -	\$ -	\$ 3,632,085	\$ 458,431	\$ 178,138	\$ -	\$ 4,268,654
Ancillary and Other Services	112,259	107,151	91,495	380,024	-	-	-	690,929	35	-	-	690,964
Adult Day Care	-	-	-	-	286,893	-	-	286,893	-	-	-	286,893
Home Care	-	-	-	-	-	-	-	-	-	-	46,099	46,099
<b>Gross Revenue</b>	<b>\$ 1,309,189</b>	<b>\$ 1,238,281</b>	<b>\$ 859,290</b>	<b>\$ 916,254</b>	<b>\$ 286,893</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,609,907</b>	<b>\$ 458,466</b>	<b>\$ 178,138</b>	<b>\$ 46,099</b>	<b>\$ 5,292,610</b>
Routine Services	\$ 126,531	\$ 134,840	\$ 67,090	\$ (189,871)	\$ 11,263	\$ -	\$ -	\$ 149,853	\$ -	\$ -	\$ -	\$ 149,853
Ancillary and Other Services	82,005	77,398	63,283	382,129	-	-	-	604,815	-	-	-	604,815
Charity Care	-	-	-	-	-	-	790	790	-	-	-	790
<b>Total Allowances</b>	<b>\$ 208,536</b>	<b>\$ 212,238</b>	<b>\$ 130,373</b>	<b>\$ 192,258</b>	<b>\$ 11,263</b>	<b>\$ -</b>	<b>\$ 790</b>	<b>\$ 755,458</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 755,458</b>
<b>Total Net Revenue</b>	<b>\$ 1,100,653</b>	<b>\$ 1,026,043</b>	<b>\$ 728,917</b>	<b>\$ 723,996</b>	<b>\$ 275,630</b>	<b>\$ -</b>	<b>\$ (790)</b>	<b>\$ 3,854,449</b>	<b>\$ 458,466</b>	<b>\$ 178,138</b>	<b>\$ 46,099</b>	<b>\$ 4,537,152</b>
Personnel Cost	\$ 387,602	\$ 370,146	\$ 303,552	\$ 310,367	\$ 136,605	\$ 210,499	\$ 510,342	\$ 2,229,113	\$ 165,425	\$ 59,981	\$ 6,034	\$ 2,460,553
Expendable Supplies	59,058	51,680	44,382	93,462	24,836	123,759	62,267	459,444	35,516	14,892	3,727	513,579
Purchased Services	27,601	25,610	26,314	130,896	37,444	5,030	694,306	947,201	55,763	23,505	35,167	1,061,636
Real Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	550	17	-	-	16,663	1,209	46,728	66,167	10,900	3,381	-	79,448
Provision for Bad Debt	-	-	-	-	-	-	18,000	18,000	-	-	-	18,000
<b>Total Operating Expenses</b>	<b>\$ 474,811</b>	<b>\$ 447,453</b>	<b>\$ 374,248</b>	<b>\$ 534,725</b>	<b>\$ 215,548</b>	<b>\$ 340,497</b>	<b>\$ 1,331,643</b>	<b>\$ 3,718,925</b>	<b>\$ 267,604</b>	<b>\$ 101,759</b>	<b>\$ 44,928</b>	<b>\$ 4,133,216</b>
<b>Earnings Before interest, Depreciation Amortization and Rent Expense</b>	<b>\$ 625,842</b>	<b>\$ 578,590</b>	<b>\$ 354,669</b>	<b>\$ 189,271</b>	<b>\$ 60,082</b>	<b>\$ (340,497)</b>	<b>\$ (1,332,433)</b>	<b>\$ 135,524</b>	<b>\$ 190,862</b>	<b>\$ 76,379</b>	<b>\$ 1,171</b>	<b>\$ 403,936</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,818	\$ 4,818	\$ -	\$ -	\$ -	\$ 4,818
Depreciation & Amortization	-	-	-	-	7,526	-	66,767	74,293	3,969	3,315	-	81,577
Rent Expense	-	-	-	-	10,404	-	127,128	137,532	87,039	39,648	1,372	265,591
<b>Total Interest, Depreciation and Rent</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,930</b>	<b>\$ -</b>	<b>\$ 198,713</b>	<b>\$ 216,643</b>	<b>\$ 91,008</b>	<b>\$ 42,963</b>	<b>\$ 1,372</b>	<b>\$ 351,986</b>
Non Nursing Care Expense Transfer	\$ 116,388	\$ 109,911	\$ 74,746	\$ 39,452	\$ -	\$ (340,497)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Expense Transfer	491,568	482,294	361,721	194,773	-	-	(1,530,356)	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 17,886</b>	<b>\$ (13,616)</b>	<b>\$ (81,798)</b>	<b>\$ (44,954)</b>	<b>\$ 42,152</b>	<b>\$ -</b>	<b>\$ (790)</b>	<b>\$ (81,119)</b>	<b>\$ 99,854</b>	<b>\$ 33,416</b>	<b>\$ (201)</b>	<b>\$ 51,950</b>
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900	\$ 900	\$ -	\$ -	\$ -	\$ 900
Non-Operating Inc(Exp)	4,393	2,640	4,115	1,761	106	-	(2,477)	10,538	-	-	-	10,538
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 22,279</b>	<b>\$ (10,976)</b>	<b>\$ (77,683)</b>	<b>\$ (43,193)</b>	<b>\$ 42,258</b>	<b>\$ -</b>	<b>\$ (2,367)</b>	<b>\$ (69,681)</b>	<b>\$ 99,854</b>	<b>\$ 33,416</b>	<b>\$ (201)</b>	<b>\$ 63,388</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (295)	\$ (295)	\$ -	\$ -	\$ -	\$ (295)
<b>Net Income (Loss)</b>	<b>\$ 22,279</b>	<b>\$ (10,976)</b>	<b>\$ (77,683)</b>	<b>\$ (43,193)</b>	<b>\$ 42,258</b>	<b>\$ -</b>	<b>\$ (2,662)</b>	<b>\$ (69,976)</b>	<b>\$ 99,854</b>	<b>\$ 33,416</b>	<b>\$ (201)</b>	<b>\$ 63,093</b>

**Sagepoint Care**Comparative Statement of Financial Position  
As of September 30, 2015

	September 2015	June 2015
Cash and Cash Equivalents		
Operating Account	\$ 1,184,103	\$ 1,806,525
Other Accounts	449,623	432,285
Certificates of Deposit	796,110	796,110
Total Cash and Cash Equivalents	<u>2,429,836</u>	<u>3,034,920</u>
Accounts Receivable		
A/R - Inpatient	2,044,078	1,955,943
Advance Billing	(552,327)	(549,610)
Total Patient A/R	<u>1,491,752</u>	<u>1,406,333</u>
Allowance For Doubtful Accounts	(108,881)	(96,546)
Net Patient Receivable	<u>1,382,870</u>	<u>1,309,787</u>
Other Accounts Receivable		
ADC - Food and Other	(60,195)	7,741
Due From Third Party Payors	(180,055)	(173,775)
Due From Related Parties	936,392	942,325
Inventory	118,807	118,807
Prepaid Expenses	309,858	182,574
Total Current Assets	<u>4,937,512</u>	<u>5,422,379</u>
Plant, Property and Equipment		
Land	10,000	10,000
Furniture and Fixtures	3,795,607	3,749,936
Furniture and Fixtures - Abbey Manor	249,764	248,955
Furniture and Fixtures - Homeplace	119,284	119,284
Vehicles	444,003	441,753
Total	<u>4,618,658</u>	<u>4,569,928</u>
Less Accumulated Depreciation & Amortization	2,928,324	2,846,747
Net Plant, Property and Equipment	<u>1,690,335</u>	<u>1,723,181</u>
Construction in Progress	-	10,043
Total Plant, Property and Equipment	<u>1,690,335</u>	<u>1,733,224</u>
Investments - Long Term	492,907	490,251
Goodwill	496,600	-
Total Assets	<u>\$ 7,617,354</u>	<u>\$ 7,645,854</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 786,666	\$ 707,380
Accrued Salaries and Employee Benefits	199,715	347,117
Accrued Leave Liability	347,029	366,771
Other Liabilities	132,077	129,820
Line of Credit - PNC	576,000	582,000
Total Current Liabilities	<u>2,041,487</u>	<u>2,133,088</u>
Note Payable	-	-
Total Liabilities	<u>2,041,487</u>	<u>2,133,088</u>
<b>Net Assets</b>		
Unrestricted	5,512,766	5,032,674
Net Income / ( Loss )	63,101	480,092
Total Net Assets	<u>5,575,867</u>	<u>5,512,766</u>
Total Liabilities and Net Assets	<u>\$ 7,617,354</u>	<u>\$ 7,645,854</u>

**Sagepoint Care****Statement of Cash Flow**

For the Three Months Ended September 30, 2015

	<u>FY 2015</u>
<b><i>Cash Flow From Operating Activities</i></b>	
Change In Net Assets	\$ 63,101
Adjustments To Reconcile Increase In Net Assets To Net Cash Provided By Operating Activities:	
Depreciation & Amortization	81,577
Provision For Bad Debts	12,335
(Increase) Decrease In Accounts Receivable	(17,482)
(Increase) Decrease In Inventory	0
(Increase) Decrease In Due From Third Party Payors	6,280
(Increase) Decrease In Due From Related Parties	5,933
(Increase) Decrease In Prepaid Expenses	(127,284)
(Increase) Decrease In Goodwill	(496,600)
Increase (Decrease) In Accounts Payable And Accrued Expenses	81,544
Increase (Decrease) In Accrued Salaries And Employee Benefits	(147,402)
Increase (Decrease) In Accrued Compensated Absences	(19,742)
Net Cash Provided (Used) By Operating Activities	<u>(557,740)</u>
<b><i>Cash Flow From Investing Activities</i></b>	
Purchase Of Property and Equipment	(38,687)
Investments	(2,656)
Net Cash Used By Investing Activities	<u>(41,344)</u>
<b><i>Cash Flow From Financing Activities</i></b>	
Net Borrowing / (Payments) On Debt	<u>(6,000)</u>
Net Cash (Used) / Provided By Financing Activities	<u>(6,000)</u>
Net Increase / (Decrease) In Cash	<u>(605,084)</u>
Cash And Cash Equivalents Beginning July 1, 2015	3,034,920
Cash And Cash Equivalents September 30, 2015	<u><u>\$ 2,429,836</u></u>

## **SUPPLEMENTAL INFORMATION**

**Sagepoint Care**  
**Nurse Agency Costs**

	Month Of September 2015			Agency Costs	Budget	Variance Fav(Unfav)
	Actual Payroll	Budget	Variance Fav(Unfav)			
Nursing Administration	\$ 57,995	\$ 53,526	\$ (4,469)	\$ -	\$ -	\$ -
Unit 100	109,774	110,339	565	-	-	-
Unit 200	106,544	111,485	4,941	-	-	-
Unit 300	83,053	81,258	(1,795)	-	-	-
Rehabilitation	84,956	96,434	11,478	-	-	-
	<u>\$ 442,322</u>	<u>\$ 453,042</u>	<u>\$ 10,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Payroll & Agency Cost Variance - Fav / (Unfav) September 15				\$ 10,720		
Net Payroll & Agency Cost Variance - Fav / (unfav) September 14				\$ 17,432		
Difference				\$ (6,712)		

	Year To Date September 2015			Agency Costs	Budget	Variance Fav(Unfav)
	Actual Payroll	Budget	Variance Fav(Unfav)			
Nursing Administration	\$ 183,119	\$ 164,146	\$ (18,973)	\$ -	\$ -	\$ -
Unit 100	325,489	338,140	12,651	-	-	-
Unit 200	319,938	341,650	21,712	-	-	-
Unit 300	263,424	249,016	(14,408)	-	-	-
Rehabilitation	265,729	295,555	29,826	-	-	-
	<u>\$ 1,357,699</u>	<u>\$ 1,388,507</u>	<u>\$ 30,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Payroll & Agency Cost Variance - Fav / (Unfav) September 2015				\$ 30,808		
Net Payroll & Agency Cost Variance - Fav / (Unfav) September 2014				\$ (8,217)		
Difference				\$ 39,025		

Sagepoint Care  
Accounts Receivable Aging Report  
30-Sep-15

Date	Current	30 Days	60 Days	90 Days	120 Days	150 Days	>180 Days	Total	Balance Sheet	Variance
June 1997	\$713,066.51	\$247,600.82	\$125,118.53	\$93,059.04	\$144,239.92	\$141,020.03	\$491,745.51	\$1,955,850.36	PATIENT A/R \$1,734,567.02	\$221,283.34
June 1998	718,536.33	183,155.00	90,228.67	54,100.17	46,522.65	49,717.07	190,354.51	1,332,614.40	1,332,614.40	-
June 1999	729,699.05	92,550.52	71,710.15	80,628.65	56,922.55	43,552.10	243,288.23	1,318,351.25	1,313,129.31	5,221.94
June 2000	790,773.58	156,478.91	112,757.14	94,908.38	472,772.80	N/A	N/A	1,627,690.81	1,627,690.81	-
June 2001	814,763.40	258,143.50	205,073.26	128,697.74	459,437.64	N/A	N/A	1,866,115.54	1,880,992.00	(14,876.46)
June 2002	945,645.23	244,891.95	180,787.37	134,669.91	763,516.33	N/A	N/A	2,269,510.79	2,265,351.00	4,159.79
June 2003	994,307.24	160,045.46	97,214.12	67,032.86	809,854.73	N/A	N/A	2,128,454.41	2,131,461.00	(3,006.59)
June 2004	907,336.80	126,700.45	85,928.49	71,658.72	700,807.38	N/A	N/A	1,892,431.84	1,893,051.00	(619.16)
June 2005	986,731.17	138,210.71	56,287.48	61,788.85	54,039.12	47,881.83	463,310.90	1,808,250.06	1,808,250.00	0.06
June 2006	1,002,600.10	135,162.90	103,152.50	52,903.20	49,031.77	58,578.20	349,509.14	1,750,937.81	1,749,489.00	1,448.81
June 2007	1,105,473.53	700,670.85	197,506.29	132,353.05	111,569.14	84,620.42	482,943.11	2,815,136.39	2,815,137.00	(0.61)
June 2008	1,163,003.37	466,880.75	184,419.31	210,978.69	205,473.00	150,019.25	823,079.33	3,203,853.70	3,154,785.00	49,068.70
June 2009	1,227,609.40	187,579.87	95,035.32	100,443.68	84,769.23	65,770.20	527,889.53	2,289,097.23	2,287,522.00	1,575.23
June 2010	1,296,485.53	141,394.15	103,330.22	73,754.30	25,414.54	29,136.08	359,860.85	2,029,375.67	2,026,681.33	2,694.34
June 2011	1,409,359.26	183,913.28	85,591.60	46,921.28	56,328.17	60,702.61	337,260.73	2,180,076.93	2,156,636.00	23,440.93
June 2012	1,309,488.91	100,417.80	32,864.63	29,677.92	28,728.19	34,883.03	404,580.41	1,940,640.89	1,940,640.89	-
June 2013	1,369,180.49	126,986.29	42,200.54	55,693.16	28,542.94	15,985.91	224,084.78	1,862,674.11	1,862,674.11	-
June 2014	1,519,124.87	137,830.18	51,520.34	51,370.33	37,048.44	28,035.90	224,880.17	2,049,810.23	2,051,098.03	(1,287.80)
June 2015	1,556,194.15	106,746.33	45,613.36	27,961.51	26,126.62	25,922.91	167,378.83	1,955,943.71	1,955,943.71	-
July 2015	1,572,620.16	106,813.07	45,343.07	35,381.01	23,626.76	28,809.17	187,832.20	2,000,425.44	2,000,425.44	-
August 2015	1,552,450.41	152,059.77	60,902.34	33,065.19	22,930.83	17,891.37	189,512.92	2,028,812.83	2,028,809.57	3.26
September 2015	1,540,752.36	131,900.92	83,654.96	40,606.99	29,776.41	17,846.91	199,543.08	2,044,081.63	2,044,078.37	3.26

Sagepoint Care  
Data For Collection of Days In A/R

	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015
Total Net Operating Revenue Source: Fin States	1,530,606	1,595,743	1,619,978	1,561,441	1,480,563	1,440,581	1,572,029	1,487,673	1,529,485	1,456,160	1,534,583	1,490,784	1,465,687
Add:													
Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deduct:													
Food Program	6,193	6,432	5,531	5,935	5,428	4,707	5,716	6,468	6,180	6,425	6,600	6,238	6,199
Vending Machine	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Patient Revenue	1,524,413	1,589,311	1,614,446	1,555,506	1,475,134	1,435,874	1,566,313	1,481,205	1,523,305	1,449,735	1,527,983	1,484,546	1,459,488
Days <span style="float:right">5/1/2014</span>	30	31	30	31	31	28	31	30	31	30	31	31	30
A/R - Inpatient	2,007,720	2,040,601	2,024,504	2,131,164	2,019,718	2,784,906	2,147,967	1,986,058	1,945,274	1,955,944	2,000,425	2,028,810	2,013,333
A/R - ADC	-	-	-	-	-	-	-	-	-	-	-	-	-
A/R - Abbey Manor	2,007,720	2,040,601	2,024,504	2,131,164	2,019,718	2,784,906	2,147,967	1,986,058	1,945,274	1,955,944	2,000,425	2,028,810	2,013,333
A/R													
3 Month Avg Revenue Per Day	49,990	51,119	51,958	51,731	50,490	49,628	49,748	50,375	49,683	48,948	48,924	48,663	48,539
Days in A/R	40.16	39.92	38.96	41.20	40.00	56.12	43.18	39.43	39.15	39.96	40.89	41.69	41.48
Average (12 mos)	43.91	43.35	42.08	41.69	41.29	42.36	42.28	42.04	41.83	41.67	41.64	45.11	45.18

# Aging by Month Accounts Receivable Report

Sagepoint Senior Living

September, 2015

Show Credit Balances Only: no

TOTALS BY PAYOR

Type Payor Plan	Advance	Current	30 Days	60 Days	90 Days	120 Days	150 Days	Over 180 Day	Total
MEDICAID MARYLAND		645692.60	17961.35	2437.15	3763.33	19033.93	266.90-	22480.92	711102.38
MEDICAID PART A C		12600.00	6615.00	3620.76	1249.30		787.50	441.79	25314.35
Payor total		658292.60	24576.35	6057.91	5012.63	19033.93	520.60	22922.71	736416.73
MDMCD PTB MEDICAID PART B C		2955.45	2552.85	166.36					5674.66
Payor total		2955.45	2552.85	166.36					5674.66
PEND MA PEND MEDICAID MAR	23250.00	23374.70	24151.49	23388.46	11710.71	7707.04	7497.04	64651.41	185730.85
PEND MEDICAID PAR								6660.00	6660.00
PEND MEDICAID PAR		119.58	225.04	136.42					481.04
Payor total	23250.00	23494.28	24376.53	23524.88	11710.71	7707.04	7497.04	71311.41	192871.89
Medicaid Total	23250.00	762371.33	51505.73	29749.15	16723.34	28901.47	8017.64	94677.44	1015196.10
Medicare Med A PPS MEDICARE A PPS		196364.57	30603.02						226967.59
Payor total		196364.57	30603.02						226967.59
Medicare B MEDICARE B THERA		23943.90	5012.66						28956.56
MEDICARE B FLU		66.99							66.99
Payor total		24010.89	5012.66						29023.55
Medicare Total		220375.46	35615.68						255991.14
Grand Total	552337.53	1105534.06	131900.92	83654.96	40606.99	29776.41	17846.91	199543.08	2013336.73
CR	-147,864.13								

End of Report

Sagepoint Care  
Accounts Payable Analysis  
Sep-15

Date	Current	Accounts Payable Aging			Total	Accrued Payables	Balance Sheet	Variance	Purchase Discounts	Net Variance
		31-60	61-90	>90						
June 2000	199,593.17	-	-	-	199,593.17	28,653.57	228,246.74	0.00		
June 2001	227,652.55	-	-	-	227,652.55	41,125.97	268,778.52	0.00		
June 2002	205,389.10	-	-	-	205,389.10	15,201.11	220,590.00	(0.21)		
June 2003	255,775.92	-	-	-	255,775.92	2,614.00	258,390.00	0.08		
June 2004	228,248.87	-	-	-	228,248.87	13,927.40	242,529.00	352.73	May/June Discount	
June 2005	248,474.40	32,774.68	-	-	281,249.08	12,948.68	294,198.00	0.24		
June 2006	298,561.44	22,050.00	-	-	320,611.44	23,237.67	343,850.00	0.89		
June 2007	296,872.43	103,256.80	39,278.20	-	439,407.43	16,665.62	456,074.00	0.95		
June 2008	318,898.05	45,339.67	(18.36)	-	364,219.36	98,358.62	462,579.00	1.02		
June 2009	331,974.72	81,591.98	433.94	-	414,000.64	103,054.29	517,055.00	0.07		
June 2010	398,958.79	38,439.06	-	(633.14)	436,764.71	119,888.01	556,925.51	272.79	(271.79)	1.00
June 2011	288,615.25	672.32	-	-	289,287.57	263,718.89	553,157.39	150.93	(149.93)	1.00
June 2012	216,420.73	-	-	-	216,420.73	297,105.05	513,671.60	145.82	(144.82)	1.00
June 2013	242,234.94	2,953.00	-	-	245,187.94	348,591.32	593,870.70	91.44	(91.44)	(0.00)
June 2014	294,410.43	-	-	-	294,410.43	334,560.37	629,121.73	150.93	(150.93)	(0.00)
June 2015	299,761.78	-	258.99	-	300,020.77	353,511.21	653,592.30	60.32	(60.32)	0.00
July 2015	297,618.97	-	-	-	297,618.97	486,790.05	784,540.91	131.89	(131.89)	0.00
August 2015	252,777.33	-	-	-	252,777.33	282,534.08	535,525.85	214.44	(214.44)	(0.00)
September 2015	247,019.83	-	-	-	247,019.83	539,488.75	786,666.28	157.70	(157.70)	0.00

**AGED TRIAL BALANCE**  
 Charles County Nursing and Rehabilitation

		Due	Current Period	31 - 60 Days	61 - 90 Days	91 and Over
Voucher(s): 11	<b>Aged Totals:</b>	\$8,504.66	\$8,504.66	\$0.00	\$0.00	\$0.00
Vendor ID: VER9342159	Name: Verizon	Class ID:		User-Defined 1:		
Voucher(s): 1	<b>Aged Totals:</b>	\$174.83	\$174.83	\$0.00	\$0.00	\$0.00
Vendor ID: VERIZ-1343	Name: Verizon V301-392 0593	Class ID:		User-Defined 1:		
Voucher(s): 1	<b>Aged Totals:</b>	\$864.85	\$864.85	\$0.00	\$0.00	\$0.00
Vendor ID: VERIZ-1829	Name: Verizon 392-1829	Class ID:		User-Defined 1:		
Voucher(s): 1	<b>Aged Totals:</b>	\$939.10	\$939.10	\$0.00	\$0.00	\$0.00
Vendor ID: VERIZ-1900	Name: Verizon - 934-1900	Class ID:		User-Defined 1:		
Voucher(s): 1	<b>Aged Totals:</b>	\$853.82	\$853.82	\$0.00	\$0.00	\$0.00
Vendor ID: VERIZ-3517	Name: Verizon -	Class ID:		User-Defined 1:		
Voucher(s): 1	<b>Aged Totals:</b>	\$1,127.59	\$1,127.59	\$0.00	\$0.00	\$0.00
Vendor ID: VERIZ-8437	Name: Verizon 609-8437	Class ID:		User-Defined 1:		
Voucher(s): 1	<b>Aged Totals:</b>	\$224.33	\$224.33	\$0.00	\$0.00	\$0.00
Vendor ID: VERIZ-DIALYSIS	Name: Verizon - 934-4782	Class ID:		User-Defined 1:		
Voucher(s): 2	<b>Aged Totals:</b>	\$99.08	\$99.08	\$0.00	\$0.00	\$0.00
Vendor ID: WASTE001	Name: Waste Management Of Maryland	Class ID:		User-Defined 1: 314		
Voucher(s): 1	<b>Aged Totals:</b>	\$1,449.92	\$1,449.92	\$0.00	\$0.00	\$0.00
Vendor ID: WCUNN001	Name: William Cunningham Inc	Class ID:		User-Defined 1: 318		
Voucher(s): 1	<b>Aged Totals:</b>	\$100.80	\$100.80	\$0.00	\$0.00	\$0.00
Vendor ID: WEXB001	Name: Wex Bank	Class ID:		User-Defined 1: 315		
Voucher(s): 1	<b>Aged Totals:</b>	\$20.00	\$20.00	\$0.00	\$0.00	\$0.00
Vendor ID: WILHE001	Name: Wilhelm Dental Group	Class ID:		User-Defined 1: 317		
Voucher(s): 1	<b>Aged Totals:</b>	\$125.00	\$125.00	\$0.00	\$0.00	\$0.00
Vendor ID: WINTE001	Name: Wintergreen Landscape Maintenance LLC	Class ID:		User-Defined 1: 320		
Voucher(s): 2	<b>Aged Totals:</b>	\$2,550.00	\$2,550.00	\$0.00	\$0.00	\$0.00
Vendor ID: WRA001	Name: WRA Distributors	Class ID:		User-Defined 1: 323		
Voucher(s): 5	<b>Aged Totals:</b>	\$3,928.97	\$3,928.97	\$0.00	\$0.00	\$0.00
Vendor ID: WRIGH002	Name: Wright Mechanical Services LLC	Class ID:		User-Defined 1: 324		
Voucher(s): 1	<b>Aged Totals:</b>	\$635.00	\$635.00	\$0.00	\$0.00	\$0.00
<b>Vendor Totals:</b>	<u>Vendors</u>	<u>Due</u>	<u>Current Period</u>	<u>31 - 60 Days</u>	<u>61 - 90 Days</u>	<u>91 and Over</u>
	103	\$302,516.33	\$301,646.37	\$869.96	\$0.00	\$0.00

Sagepoint Care

Statement of Revenue and Expense

Nursing Center (U100,U200,U300)

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ 1,013,350	252.71	\$ 985,404	249.66	\$ 27,946	3.05	\$ 3,095,855	248.50	\$ 3,017,771	249.67	\$ 78,084	(1.17)
Ancillary and Other Services	111,426	27.79	97,942	24.81	13,484	2.97	310,905	24.96	299,915	24.81	10,990	0.14
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 1,124,776</b>	<b>280.49</b>	<b>\$ 1,083,346</b>	<b>274.47</b>	<b>\$ 41,430</b>	<b>6.02</b>	<b>\$ 3,406,760</b>	<b>273.46</b>	<b>\$ 3,317,686</b>	<b>274.48</b>	<b>\$ 89,074</b>	<b>(1.02)</b>
Routine Services	\$ 114,303	28.50	\$ 113,198	28.68	\$ (1,105)	0.18	\$ 328,461	26.37	\$ 346,440	28.66	\$ 17,979	2.30
Ancillary and Other Services	78,480	19.57	76,301	19.33	(2,179)	(0.24)	222,686	17.87	233,650	19.33	10,964	1.46
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 192,783</b>	<b>48.08</b>	<b>\$ 189,499</b>	<b>48.01</b>	<b>\$ (3,284)</b>	<b>(0.06)</b>	<b>\$ 551,147</b>	<b>44.24</b>	<b>\$ 580,090</b>	<b>47.99</b>	<b>\$ 28,943</b>	<b>3.75</b>
<b>Total Net Revenue</b>	<b>\$ 931,993</b>	<b>232.42</b>	<b>\$ 893,847</b>	<b>226.46</b>	<b>\$ 38,146</b>	<b>5.95</b>	<b>\$ 2,855,613</b>	<b>229.22</b>	<b>\$ 2,737,596</b>	<b>226.49</b>	<b>\$ 118,017</b>	<b>2.73</b>
Personnel Cost	\$ 345,914	86.26	\$ 357,518	90.58	\$ 11,604	4.32	\$ 1,061,300	85.19	\$ 1,103,405	91.29	\$ 42,105	6.10
Expendable Supplies	57,396	14.31	47,423	12.01	(9,973)	(2.30)	155,120	12.45	142,269	11.77	(12,851)	(0.68)
Purchased Services	29,310	7.31	21,090	5.34	(8,220)	(1.97)	79,525	6.38	63,270	5.23	(16,255)	(1.15)
Repairs and Maintenance	13	0.00	617	0.16	604	0.15	567	0.05	1,851	0.15	1,284	0.11
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 432,633</b>	<b>107.89</b>	<b>\$ 426,648</b>	<b>108.09</b>	<b>\$ (5,985)</b>	<b>0.21</b>	<b>\$ 1,296,512</b>	<b>104.07</b>	<b>\$ 1,310,795</b>	<b>108.45</b>	<b>\$ 14,283</b>	<b>4.38</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 499,360</b>	<b>124.53</b>	<b>\$ 467,199</b>	<b>118.37</b>	<b>\$ 32,161</b>	<b>6.16</b>	<b>\$ 1,559,101</b>	<b>125.15</b>	<b>\$ 1,426,801</b>	<b>118.04</b>	<b>\$ 132,300</b>	<b>7.10</b>
Interest	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Non Nursing Care Expense Transfer	\$ 96,343	24.03	\$ 97,314	24.66	\$ 970	0.63	\$ 301,045	24.16	\$ 295,960	24.49	\$ (5,085)	0.32
Administrative Expense Transfer	432,601	107.88	434,338	110.04	1,737	2.16	1,335,583	107.21	1,331,494	110.16	(4,089)	2.95
<b>Earnings From Operations</b>	<b>\$ (29,584)</b>	<b>(7.38)</b>	<b>\$ (64,453)</b>	<b>(16.33)</b>	<b>\$ 34,869</b>	<b>8.95</b>	<b>\$ (77,527)</b>	<b>(6.22)</b>	<b>\$ (200,653)</b>	<b>(16.60)</b>	<b>\$ 123,126</b>	<b>10.38</b>
Non-Operating Inc(Exp)	\$ 3,914	0.98	\$ 3,700	0.94	\$ (214)	(0.04)	\$ 11,148	0.89	\$ 11,100	0.92	\$ (48)	(0.02)
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ (25,670)</b>	<b>(6.40)</b>	<b>\$ (60,753)</b>	<b>(15.39)</b>	<b>\$ 35,083</b>	<b>8.99</b>	<b>\$ (66,379)</b>	<b>(5.33)</b>	<b>\$ (189,553)</b>	<b>(15.68)</b>	<b>\$ 123,174</b>	<b>10.35</b>
Unrealized Gains/(Losses)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>Net Income (Loss)</b>	<b>\$ (25,670)</b>	<b>(6.40)</b>	<b>\$ (60,753)</b>	<b>(15.39)</b>	<b>\$ 35,083</b>	<b>8.99</b>	<b>\$ (66,379)</b>	<b>(5.33)</b>	<b>\$ (189,553)</b>	<b>(15.68)</b>	<b>\$ 123,174</b>	<b>10.35</b>
Census	4,010		3,947		63		12,458		12,087		371	

Sagepoint Care

Statement of Revenue and Expense

Nursing Center Unit 100

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ 400,350	252.43	\$ 387,351	250.23	\$ 12,999	2.20	\$ 1,196,930	248.38	\$ 1,186,576	250.23	\$ 10,354	(1.85)
Ancillary and Other Services	41,376	26.09	37,145	24.00	4,231	2.09	112,259	23.30	113,741	23.99	(1,482)	(0.69)
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 441,726</b>	<b>278.52</b>	<b>\$ 424,496</b>	<b>274.22</b>	<b>\$ 17,230</b>	<b>4.29</b>	<b>\$ 1,309,189</b>	<b>271.67</b>	<b>\$ 1,300,317</b>	<b>274.21</b>	<b>\$ 8,872</b>	<b>(2.54)</b>
Routine Services	\$ 42,372	26.72	\$ 41,627	26.89	\$ (745)	0.17	\$ 126,531	26.26	\$ 127,263	26.84	\$ 732	0.58
Ancillary and Other Services	32,699	20.62	30,121	19.46	(2,578)	(1.16)	82,005	17.02	92,232	19.45	10,227	2.43
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 75,071</b>	<b>47.33</b>	<b>\$ 71,748</b>	<b>46.35</b>	<b>\$ (3,323)</b>	<b>(0.98)</b>	<b>\$ 208,536</b>	<b>43.27</b>	<b>\$ 219,495</b>	<b>46.29</b>	<b>\$ 10,959</b>	<b>3.01</b>
<b>Total Net Revenue</b>	<b>\$ 366,655</b>	<b>231.18</b>	<b>\$ 352,748</b>	<b>227.87</b>	<b>\$ 13,907</b>	<b>3.31</b>	<b>\$ 1,100,653</b>	<b>228.40</b>	<b>\$ 1,080,822</b>	<b>227.93</b>	<b>\$ 19,831</b>	<b>0.47</b>
Personnel Cost	\$ 128,291	80.89	\$ 131,351	84.85	\$ 3,060	3.96	\$ 387,602	80.43	\$ 405,767	85.57	\$ 18,165	5.14
Expendable Supplies	23,682	14.93	18,144	11.72	(5,538)	(3.21)	59,058	12.26	54,432	11.48	(4,626)	(0.78)
Purchased Services	9,620	6.07	8,354	5.40	(1,266)	(0.67)	27,601	5.73	25,062	5.29	(2,539)	(0.44)
Repairs and Maintenance	13	0.01	275	0.18	262	0.17	550	0.11	825	0.17	275	0.06
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 161,606</b>	<b>101.90</b>	<b>\$ 158,124</b>	<b>102.15</b>	<b>\$ (3,482)</b>	<b>0.25</b>	<b>\$ 474,811</b>	<b>98.53</b>	<b>\$ 486,086</b>	<b>102.51</b>	<b>\$ 11,275</b>	<b>3.98</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 205,049</b>	<b>129.29</b>	<b>\$ 194,624</b>	<b>125.73</b>	<b>\$ 10,425</b>	<b>3.56</b>	<b>\$ 625,842</b>	<b>129.87</b>	<b>\$ 594,736</b>	<b>125.42</b>	<b>\$ 31,106</b>	<b>4.45</b>
Interest	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Non Nursing Care Expense Transfer	\$ 38,105	24.03	\$ 38,166	24.66	\$ 61	0.63	\$ 116,388	24.15	\$ 116,111	24.49	\$ (277)	0.33
Administrative Expense Transfer	159,221	100.39	159,861	103.27	640	2.88	491,568	102.01	490,064	103.35	(1,504)	1.34
<b>Earnings From Operations</b>	<b>\$ 7,723</b>	<b>4.87</b>	<b>\$ (3,403)</b>	<b>(2.20)</b>	<b>\$ 11,126</b>	<b>7.07</b>	<b>\$ 17,886</b>	<b>3.71</b>	<b>\$ (11,439)</b>	<b>(2.41)</b>	<b>\$ 29,325</b>	<b>6.12</b>
Non-Operating Inc(Exp)	\$ 1,665	1.05	\$ 1,508	0.97	\$ (157)	(0.08)	\$ 4,393	0.91	\$ 4,524	0.95	\$ 131	(0.04)
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 9,388</b>	<b>5.92</b>	<b>\$ (1,895)</b>	<b>(1.22)</b>	<b>\$ 11,283</b>	<b>7.14</b>	<b>\$ 22,279</b>	<b>4.62</b>	<b>\$ (6,915)</b>	<b>(1.46)</b>	<b>\$ 29,194</b>	<b>6.08</b>
Unrealized Gains/(Losses)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>Net Income(Loss)</b>	<b>\$ 9,388</b>	<b>5.92</b>	<b>\$ (1,895)</b>	<b>(1.22)</b>	<b>\$ 11,283</b>	<b>7.14</b>	<b>\$ 22,279</b>	<b>4.62</b>	<b>\$ (6,915)</b>	<b>(1.46)</b>	<b>\$ 29,194</b>	<b>6.08</b>

Census 1,586 1,548 38 4,819 4,742 77

Sagepoint Care

Statement of Revenue and Expense

Nursing Center Unit 200

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ 377,850	251.90	\$ 374,602	249.40	\$ 3,248	2.50	\$ 1,131,130	248.60	\$ 1,146,828	249.42	\$ (15,698)	(0.82)
Ancillary and Other Services	43,629	29.09	32,519	21.65	11,110	7.44	107,151	23.55	99,577	21.66	7,574	1.89
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 421,479</b>	<b>280.99</b>	<b>\$ 407,121</b>	<b>271.05</b>	<b>\$ 14,358</b>	<b>9.93</b>	<b>\$ 1,238,281</b>	<b>272.15</b>	<b>\$ 1,246,405</b>	<b>271.08</b>	<b>\$ (8,124)</b>	<b>1.07</b>
Routine Services	\$ 48,309	32.21	\$ 48,424	32.24	\$ 115	0.03	\$ 134,840	29.64	\$ 148,240	32.24	\$ 13,400	2.60
Ancillary and Other Services	28,380	18.92	25,670	17.09	(2,710)	(1.83)	77,398	17.01	78,606	17.10	1,208	0.09
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 76,689</b>	<b>51.13</b>	<b>\$ 74,094</b>	<b>49.33</b>	<b>\$ (2,595)</b>	<b>(1.80)</b>	<b>\$ 212,238</b>	<b>46.65</b>	<b>\$ 226,846</b>	<b>49.34</b>	<b>\$ 14,608</b>	<b>2.69</b>
<b>Total Net Revenue</b>	<b>\$ 344,790</b>	<b>229.86</b>	<b>\$ 333,027</b>	<b>221.72</b>	<b>\$ 11,763</b>	<b>8.14</b>	<b>\$ 1,026,043</b>	<b>225.50</b>	<b>\$ 1,019,559</b>	<b>221.74</b>	<b>\$ 6,484</b>	<b>3.76</b>
Personnel Cost	\$ 122,860	81.91	\$ 132,293	88.08	\$ 9,433	6.17	\$ 370,146	81.35	\$ 408,738	88.89	\$ 38,592	7.54
Expendable Supplies	19,221	12.81	13,904	9.26	(5,317)	(3.56)	51,680	11.36	41,712	9.07	(9,968)	(2.29)
Purchased Services	12,125	8.08	6,878	4.58	(5,247)	(3.50)	25,610	5.63	20,634	4.49	(4,976)	(1.14)
Repairs and Maintenance	-	-	217	0.14	217	0.14	17	0.00	651	0.14	634	0.14
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 154,206</b>	<b>102.80</b>	<b>\$ 153,292</b>	<b>102.06</b>	<b>\$ (914)</b>	<b>(0.75)</b>	<b>\$ 447,453</b>	<b>98.34</b>	<b>\$ 471,735</b>	<b>102.60</b>	<b>\$ 24,282</b>	<b>4.25</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 190,584</b>	<b>127.06</b>	<b>\$ 179,735</b>	<b>119.66</b>	<b>\$ 10,849</b>	<b>7.39</b>	<b>\$ 578,590</b>	<b>127.16</b>	<b>\$ 547,824</b>	<b>119.14</b>	<b>\$ 30,766</b>	<b>8.02</b>
Interest	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Non Nursing Care Expense Transfer	\$ 36,038	24.03	\$ 37,032	24.66	\$ 994	0.63	\$ 109,911	24.16	\$ 112,586	24.49	\$ 2,675	0.33
Administrative Expense Transfer	156,217	104.14	156,844	104.42	627	0.28	482,294	106.00	480,817	104.57	(1,477)	(1.43)
<b>Earnings From Operations</b>	<b>\$ (1,672)</b>	<b>(1.11)</b>	<b>\$ (14,141)</b>	<b>(9.41)</b>	<b>\$ 12,469</b>	<b>8.30</b>	<b>\$ (13,616)</b>	<b>(2.99)</b>	<b>\$ (45,579)</b>	<b>(9.91)</b>	<b>\$ 31,963</b>	<b>6.92</b>
Non-Operating Inc(Exp)	\$ 900	0.60	\$ 825	0.55	\$ (75)	0.05	\$ 2,640	0.58	\$ 2,475	0.54	\$ (165)	0.04
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ (772)</b>	<b>(0.51)</b>	<b>\$ (13,316)</b>	<b>(8.87)</b>	<b>\$ 12,544</b>	<b>8.35</b>	<b>\$ (10,976)</b>	<b>(2.41)</b>	<b>\$ (43,104)</b>	<b>(9.37)</b>	<b>\$ 32,128</b>	<b>6.96</b>
Unrealized Gains/(Losses)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>Net Income(Loss)</b>	<b>\$ (772)</b>	<b>(0.51)</b>	<b>\$ (13,316)</b>	<b>(8.87)</b>	<b>\$ 12,544</b>	<b>8.35</b>	<b>\$ (10,976)</b>	<b>(2.41)</b>	<b>\$ (43,104)</b>	<b>(9.37)</b>	<b>\$ 32,128</b>	<b>6.96</b>
Census	1,500		1,502		(2)		4,550		4,598		(48)	

Sagepoint Care

Statement of Revenue and Expense

Nursing Center Unit 300

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ 235,150	254.49	\$ 223,451	249.11	\$ 11,699	5.38	\$ 767,795	248.56	\$ 684,367	249.13	\$ 83,428	(0.57)
Ancillary and Other Services	26,421	28.59	28,278	31.53	(1,857)	(2.93)	91,495	29.62	86,597	31.52	4,898	(1.90)
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 261,571</b>	<b>283.09</b>	<b>\$ 251,729</b>	<b>280.63</b>	<b>\$ 9,842</b>	<b>2.45</b>	<b>\$ 859,290</b>	<b>278.18</b>	<b>\$ 770,964</b>	<b>280.66</b>	<b>\$ 88,326</b>	<b>(2.48)</b>
Routine Services	\$ 23,622	25.56	\$ 23,147	25.80	\$ (475)	0.24	\$ 67,090	21.72	\$ 70,937	25.82	\$ 3,847	4.10
Ancillary and Other Services	17,401	18.83	20,510	22.87	3,109	4.03	63,283	20.49	62,812	22.87	(471)	2.38
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 41,023</b>	<b>44.40</b>	<b>\$ 43,657</b>	<b>48.67</b>	<b>\$ 2,634</b>	<b>4.27</b>	<b>\$ 130,373</b>	<b>42.21</b>	<b>\$ 133,749</b>	<b>48.69</b>	<b>\$ 3,376</b>	<b>6.48</b>
<b>Total Net Revenue</b>	<b>\$ 220,548</b>	<b>238.69</b>	<b>\$ 208,072</b>	<b>231.96</b>	<b>\$ 12,476</b>	<b>6.72</b>	<b>\$ 728,917</b>	<b>235.97</b>	<b>\$ 637,215</b>	<b>231.97</b>	<b>\$ 91,702</b>	<b>4.00</b>
Personnel Cost	\$ 94,763	102.56	\$ 93,874	104.65	\$ (889)	2.10	\$ 303,552	98.27	\$ 288,900	105.17	\$ (14,652)	6.90
Expendable Supplies	14,493	15.69	15,375	17.14	882	1.46	44,382	14.37	46,125	16.79	1,743	2.42
Purchased Services	7,565	8.19	5,858	6.53	(1,707)	(1.66)	26,314	8.52	17,574	6.40	(8,740)	(2.12)
Repairs and Maintenance	-	-	125	0.14	125	0.14	-	-	375	0.14	375	0.14
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 116,821</b>	<b>126.43</b>	<b>\$ 115,232</b>	<b>128.46</b>	<b>\$ (1,589)</b>	<b>2.03</b>	<b>\$ 374,248</b>	<b>121.16</b>	<b>\$ 352,974</b>	<b>128.49</b>	<b>\$ (21,274)</b>	<b>7.34</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 103,727</b>	<b>112.26</b>	<b>\$ 92,840</b>	<b>103.50</b>	<b>\$ 10,887</b>	<b>8.76</b>	<b>\$ 354,669</b>	<b>114.82</b>	<b>\$ 284,241</b>	<b>103.47</b>	<b>\$ 70,428</b>	<b>11.34</b>
Interest	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Non Nursing Care Expense Transfer	\$ 22,200	24.03	\$ 22,116	24.66	\$ (84)	0.63	\$ 74,746	24.20	\$ 67,263	24.49	\$ (7,483)	0.29
Administrative Expense Transfer	117,163	126.80	117,633	131.14	470	4.34	361,721	117.10	360,613	131.28	(1,108)	14.18
<b>Earnings From Operations</b>	<b>\$ (35,636)</b>	<b>(38.57)</b>	<b>\$ (46,909)</b>	<b>(52.30)</b>	<b>\$ 11,273</b>	<b>13.73</b>	<b>\$ (81,798)</b>	<b>(26.48)</b>	<b>\$ (143,635)</b>	<b>(52.29)</b>	<b>\$ 61,837</b>	<b>25.81</b>
Non-Operating Inc(Exp)	\$ 1,349	1.46	\$ 1,367	1.52	\$ 18	(0.06)	\$ 4,115	1.33	\$ 4,101	1.49	\$ (14)	(0.16)
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ (34,287)</b>	<b>(37.11)</b>	<b>\$ (45,542)</b>	<b>(50.77)</b>	<b>\$ 11,255</b>	<b>13.66</b>	<b>\$ (77,683)</b>	<b>(25.15)</b>	<b>\$ (139,534)</b>	<b>(50.80)</b>	<b>\$ 61,851</b>	<b>25.65</b>
Unrealized Gains/(Losses)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>Net Income(Loss)</b>	<b>\$ (34,287)</b>	<b>(37.11)</b>	<b>\$ (45,542)</b>	<b>(50.77)</b>	<b>\$ 11,255</b>	<b>13.66</b>	<b>\$ (77,683)</b>	<b>(25.15)</b>	<b>\$ (139,534)</b>	<b>(50.80)</b>	<b>\$ 61,851</b>	<b>25.65</b>

Census

924

897

27  
Page 16

3,089

2,747

342

Sagepoint Care

Statement of Revenue and Expense

Rehabilitation Unit

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ 178,500	322.20	\$ 201,596	350.60	\$ (23,096)	(28.40)	\$ 536,230	328.37	\$ 616,838	350.48	\$ (80,608)	(22.11)
Ancillary and Other Services	126,970	229.19	170,214	296.02	(43,244)	(66.84)	380,024	232.72	521,223	296.15	(141,199)	(63.43)
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 305,470</b>	<b>551.39</b>	<b>\$ 371,810</b>	<b>646.63</b>	<b>\$ (66,340)</b>	<b>(95.24)</b>	<b>\$ 916,254</b>	<b>561.09</b>	<b>\$ 1,138,061</b>	<b>646.63</b>	<b>\$ (221,807)</b>	<b>(85.54)</b>
Routine Services	\$ (55,999)	(101.08)	\$ (102,768)	(178.73)	\$ (46,769)	(77.65)	\$ (189,871)	(116.27)	\$ (314,509)	(178.70)	\$ (124,638)	(62.43)
Ancillary and Other Services	127,918	230.90	169,652	295.05	41,734	64.15	382,129	234.00	519,499	295.17	137,370	61.17
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 71,919</b>	<b>129.82</b>	<b>\$ 66,884</b>	<b>116.32</b>	<b>\$ (5,035)</b>	<b>(13.50)</b>	<b>\$ 192,258</b>	<b>117.73</b>	<b>\$ 204,990</b>	<b>116.47</b>	<b>\$ 12,732</b>	<b>(1.26)</b>
<b>Total Net Revenue</b>	<b>\$ 233,551</b>	<b>421.57</b>	<b>\$ 304,926</b>	<b>530.31</b>	<b>\$ (71,375)</b>	<b>(108.73)</b>	<b>\$ 723,996</b>	<b>443.35</b>	<b>\$ 933,071</b>	<b>530.15</b>	<b>\$ (209,075)</b>	<b>(86.80)</b>
Personnel Cost	\$ 98,653	178.07	\$ 112,090	194.94	\$ 13,437	16.87	\$ 310,367	190.06	\$ 345,564	196.34	\$ 35,197	6.28
Expendable Supplies	31,343	56.58	34,880	60.66	3,537	4.09	93,462	57.23	104,640	59.45	11,178	2.22
Purchased Services	42,757	77.18	59,185	102.93	16,428	25.75	130,896	80.16	177,555	100.88	46,659	20.73
Repairs and Maintenance	-	-	67	0.12	67	0.12	-	-	201	0.11	201	0.11
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 172,753</b>	<b>311.83</b>	<b>\$ 206,222</b>	<b>358.65</b>	<b>\$ 33,469</b>	<b>46.82</b>	<b>\$ 534,725</b>	<b>327.45</b>	<b>\$ 627,960</b>	<b>356.80</b>	<b>\$ 93,235</b>	<b>29.35</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 60,798</b>	<b>109.74</b>	<b>\$ 98,704</b>	<b>171.66</b>	<b>\$ (37,906)</b>	<b>(61.92)</b>	<b>\$ 189,271</b>	<b>115.90</b>	<b>\$ 305,111</b>	<b>173.36</b>	<b>\$ (115,840)</b>	<b>(57.45)</b>
Interest	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Non Nursing Care Expense Transfer	\$ 13,310	24.03	\$ 14,177	24.66	\$ 867	0.63	\$ 39,452	24.16	\$ 43,096	24.49	\$ 3,644	0.33
Administrative Expense Transfer	63,088	113.88	63,341	110.16	253	(3.72)	194,773	119.27	194,176	110.33	(597)	(8.95)
<b>Earnings From Operations</b>	<b>\$ (15,600)</b>	<b>(28.16)</b>	<b>\$ 21,186</b>	<b>36.85</b>	<b>\$ (36,786)</b>	<b>(65.00)</b>	<b>\$ (44,954)</b>	<b>(27.53)</b>	<b>\$ 67,839</b>	<b>38.54</b>	<b>\$ (112,793)</b>	<b>(66.07)</b>
Non-Operating Inc(Exp)	\$ 573	1.03	\$ 800	1.39	\$ 227	(0.36)	\$ 1,761	1.08	\$ 2,400	1.35	\$ (639)	(0.29)
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ (15,027)</b>	<b>(27.12)</b>	<b>\$ 21,986</b>	<b>38.24</b>	<b>\$ (37,013)</b>	<b>(65.36)</b>	<b>\$ (43,193)</b>	<b>(26.45)</b>	<b>\$ 70,239</b>	<b>39.91</b>	<b>\$ (113,432)</b>	<b>(66.36)</b>
Unrealized Gains/(Losses)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>Net Income(Loss)</b>	<b>\$ (15,027)</b>	<b>(27.12)</b>	<b>\$ 21,986</b>	<b>38.24</b>	<b>\$ (37,013)</b>	<b>(65.36)</b>	<b>\$ (43,193)</b>	<b>(26.45)</b>	<b>\$ 70,239</b>	<b>39.91</b>	<b>\$ (113,432)</b>	<b>(66.36)</b>
Census	554		575		(21)		1,633		1,760		(127)	

**Sagepoint Care**

Statement of Revenue and Expense

**Sagepoint Adult Day Services**

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	92,471	83.53	90,160	80.00	2,311	3.53	286,893	83.57	285,120	80.00	1,773	3.57
<b>Gross Patient Revenue</b>	<b>\$ 92,471</b>	<b>83.53</b>	<b>\$ 90,160</b>	<b>80.00</b>	<b>\$ 2,311</b>	<b>3.53</b>	<b>\$ 286,893</b>	<b>83.57</b>	<b>\$ 285,120</b>	<b>80.00</b>	<b>\$ 1,773</b>	<b>3.57</b>
Routine Services	\$ 3,577	3.23	\$ 1,440	1.28	\$ (2,137)	(1.95)	\$ 11,263	3.28	\$ 4,554	1.28	\$ (6,709)	(2.00)
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 3,577</b>	<b>3.23</b>	<b>\$ 1,440</b>	<b>1.28</b>	<b>\$ (2,137)</b>	<b>(1.95)</b>	<b>\$ 11,263</b>	<b>3.28</b>	<b>\$ 4,554</b>	<b>1.28</b>	<b>\$ (6,709)</b>	<b>(2.00)</b>
<b>Total Net Revenue</b>	<b>\$ 88,894</b>	<b>80.30</b>	<b>\$ 88,720</b>	<b>78.72</b>	<b>\$ 174</b>	<b>1.58</b>	<b>\$ 275,630</b>	<b>80.29</b>	<b>\$ 280,566</b>	<b>78.72</b>	<b>\$ (4,936)</b>	<b>1.57</b>
Personnel Cost	\$ 47,613	43.01	\$ 44,456	39.45	\$ (3,157)	(3.56)	\$ 136,605	39.79	\$ 136,846	38.40	\$ 241	(1.39)
Expendable Supplies	8,431	7.62	8,460	7.51	29	(0.11)	24,836	7.23	25,380	7.12	544	(0.11)
Purchased Services	13,017	11.76	13,207	11.72	190	(0.04)	37,444	10.91	39,621	11.12	2,177	0.21
Repairs and Maintenance	4,451	4.02	6,123	5.43	1,672	1.41	16,663	4.85	18,369	5.15	1,706	0.30
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 73,512</b>	<b>66.41</b>	<b>\$ 72,246</b>	<b>64.10</b>	<b>\$ (1,266)</b>	<b>(2.30)</b>	<b>\$ 215,548</b>	<b>62.79</b>	<b>\$ 220,216</b>	<b>61.79</b>	<b>\$ 4,668</b>	<b>(1.00)</b>
<b>Earnings Before Interest, Depreciation Amortization and Rent Expense</b>	<b>\$ 15,382</b>	<b>13.90</b>	<b>\$ 16,474</b>	<b>14.62</b>	<b>\$ (1,092)</b>	<b>(0.72)</b>	<b>\$ 60,082</b>	<b>17.50</b>	<b>\$ 60,350</b>	<b>16.93</b>	<b>\$ (268)</b>	<b>0.57</b>
Interest	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	2,860	2.58	3,192	2.83	332	0.25	7,526	2.19	9,576	2.69	2,050	0.49
Rent Expense	3,468	3.13	3,468	3.08	-	(0.06)	10,404	3.03	10,404	2.92	-	(0.11)
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 6,328</b>	<b>5.72</b>	<b>\$ 6,660</b>	<b>5.91</b>	<b>\$ 332</b>	<b>0.19</b>	<b>\$ 17,930</b>	<b>5.22</b>	<b>\$ 19,980</b>	<b>5.61</b>	<b>\$ 2,050</b>	<b>0.38</b>
Non Nursing Care Expense Transfer	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 9,054</b>	<b>8.18</b>	<b>\$ 9,814</b>	<b>8.71</b>	<b>\$ (760)</b>	<b>(0.53)</b>	<b>\$ 42,152</b>	<b>12.28</b>	<b>\$ 40,370</b>	<b>11.33</b>	<b>\$ 1,782</b>	<b>0.95</b>
Non-Operating Inc(Exp)	\$ 36	0.03	42	0.04	\$ 6	(0.00)	\$ 106	0.03	126	0.04	\$ 20	(0.00)
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 9,090</b>	<b>8.21</b>	<b>\$ 9,856</b>	<b>8.75</b>	<b>\$ (766)</b>	<b>(0.53)</b>	<b>\$ 42,258</b>	<b>12.31</b>	<b>\$ 40,496</b>	<b>11.36</b>	<b>\$ 1,762</b>	<b>0.95</b>
Unrealized Gains/(Losses)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>Net Income(Loss)</b>	<b>\$ 9,090</b>	<b>8.21</b>	<b>\$ 9,856</b>	<b>8.75</b>	<b>\$ (766)</b>	<b>(0.53)</b>	<b>\$ 42,258</b>	<b>12.31</b>	<b>\$ 40,496</b>	<b>11.36</b>	<b>\$ 1,762</b>	<b>0.95</b>

Census

1,107

1,127

Page 18 (20)

3,433

3,564

(131)

Sagepoint Care

Statement of Revenue and Expense

Non Nursing Care

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Routine Services	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
<b>Total Net Revenue</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Personnel Cost	\$ 66,418	14.55	\$ 68,749	15.20	\$ 2,331	0.65	\$ 210,499	14.94	\$ 210,831	15.23	\$ 332	0.29
Expendable Supplies	40,751	8.93	41,022	9.07	271	0.14	123,759	8.78	123,066	8.89	(693)	0.10
Purchased Services	1,690	0.37	1,420	0.31	(270)	(0.06)	5,030	0.36	4,260	0.31	(770)	(0.05)
Repairs and Maintenance	794	0.17	300	0.07	(494)	(0.11)	1,209	0.09	900	0.06	(309)	(0.02)
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 109,653</b>	<b>24.03</b>	<b>\$ 111,491</b>	<b>24.66</b>	<b>\$ 1,838</b>	<b>0.63</b>	<b>\$ 340,497</b>	<b>24.16</b>	<b>\$ 339,057</b>	<b>24.49</b>	<b>\$ (1,440)</b>	<b>0.32</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ (109,653)</b>	<b>(24.03)</b>	<b>\$ (111,491)</b>	<b>(24.66)</b>	<b>\$ 1,838</b>	<b>0.63</b>	<b>\$ (340,497)</b>	<b>(24.16)</b>	<b>\$ (339,057)</b>	<b>(24.49)</b>	<b>\$ (1,440)</b>	<b>0.32</b>
Interest	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Non Nursing Care Expense Transfer	\$ (109,653)	(24.03)	\$ (111,491)	(24.66)	\$ (1,838)	(0.63)	\$ (340,497)	(24.16)	\$ (339,057)	(24.49)	\$ (1,440)	(0.32)
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>(0.00)</b>	<b>\$ -</b>	<b>0.00</b>
Non-Operating Inc(Exp)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>(0.00)</b>	<b>\$ -</b>	<b>0.00</b>
Unrealized Gains/(Losses)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>Net Income(Loss)</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>(0.00)</b>	<b>\$ -</b>	<b>0.00</b>

**Sagepoint Care**

Statement of Revenue and Expense

**Administration**

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-
Management Fee Income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Revenue</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
Routine Services	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	640	0.14	1,000	0.22	360	0.08	790	0.06	3,000	0.22	2,210	0.16
<b>Total Allowances</b>	<b>\$ 640</b>	<b>0.14</b>	<b>\$ 1,000</b>	<b>0.22</b>	<b>\$ 360</b>	<b>0.08</b>	<b>\$ 790</b>	<b>0.06</b>	<b>\$ 3,000</b>	<b>0.22</b>	<b>\$ 2,210</b>	<b>0.16</b>
<b>Total Net Revenue</b>	<b>\$ (640)</b>	<b>(0.14)</b>	<b>\$ (1,000)</b>	<b>(0.22)</b>	<b>\$ 360</b>	<b>0.08</b>	<b>\$ (790)</b>	<b>(0.06)</b>	<b>\$ (3,000)</b>	<b>(0.22)</b>	<b>\$ 2,210</b>	<b>0.16</b>
Personnel Cost	\$ 159,774	35.01	\$ 161,933	35.81	\$ 2,159	0.80	\$ 510,342	36.22	\$ 501,593	36.22	\$ (8,749)	0.01
Expendable Supplies	22,243	4.87	26,697	5.90	4,454	1.03	62,267	4.42	77,931	5.63	15,664	1.21
Purchased Services	224,007	49.08	229,039	50.65	5,032	1.57	694,306	49.27	706,117	50.99	11,811	1.72
Repairs and Maintenance	17,215	3.77	9,367	2.07	(7,848)	(1.70)	46,728	3.32	28,101	2.03	(18,627)	(1.29)
Provision for Bad Debt	6,000	1.31	6,000	1.33	-	0.01	18,000	1.28	18,000	1.30	-	0.02
<b>Total Operating Expenses</b>	<b>\$ 429,239</b>	<b>94.05</b>	<b>\$ 433,036</b>	<b>95.76</b>	<b>\$ 3,797</b>	<b>1.71</b>	<b>\$ 1,331,643</b>	<b>94.50</b>	<b>\$ 1,331,742</b>	<b>96.18</b>	<b>\$ 99</b>	<b>1.67</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ (429,879)</b>	<b>(94.19)</b>	<b>\$ (434,036)</b>	<b>(95.98)</b>	<b>\$ 4,157</b>	<b>1.79</b>	<b>\$ (1,332,433)</b>	<b>(94.56)</b>	<b>\$ (1,334,742)</b>	<b>(96.39)</b>	<b>\$ 2,309</b>	<b>1.83</b>
Interest	\$ 1,618	0.35	\$ -	-	\$ (1,618)	(0.35)	\$ 4,818	0.34	\$ -	-	\$ (4,818)	(0.34)
Depreciation & Amortization	22,456	4.92	21,267	4.70	(1,189)	(0.22)	66,767	4.74	63,801	4.61	(2,966)	(0.13)
Rent Expense	42,376	9.28	42,376	9.37	-	0.09	127,128	9.02	127,128	9.18	-	0.16
<b>Total Interest and Depreciation</b>	<b>\$ 66,450</b>	<b>14.56</b>	<b>\$ 63,643</b>	<b>14.07</b>	<b>\$ (2,807)</b>	<b>(0.49)</b>	<b>\$ 198,713</b>	<b>14.10</b>	<b>\$ 190,929</b>	<b>13.79</b>	<b>\$ (7,784)</b>	<b>(0.31)</b>
Non Nursing Care Expense Transfer	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Administrative Expense Transfer	(495,689)	(108.61)	(497,679)	(110.06)	(1,990)	(1.45)	(1,530,356)	(108.61)	(1,525,671)	(110.18)	(4,685)	(1.58)
<b>Earnings From Operations</b>	<b>\$ (640)</b>	<b>(0.14)</b>	<b>\$ -</b>	<b>-</b>	<b>\$ (640)</b>	<b>(0.14)</b>	<b>\$ (790)</b>	<b>(0.06)</b>	<b>\$ -</b>	<b>-</b>	<b>\$ (790)</b>	<b>(0.06)</b>
Contributions	\$ 138	0.03	\$ 833	0.18	\$ 695	(0.15)	\$ 900	0.06	\$ 2,500	0.18	\$ (1,600)	(0.12)
Non-Operating Inc(Exp)	(1,120)	(0.25)	(913)	(0.20)	207	(0.04)	(2,477)	(0.18)	(2,739)	(0.20)	262	0.02
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ (1,622)</b>	<b>\$ (0)</b>	<b>\$ (80)</b>	<b>\$ (0)</b>	<b>\$ (1,542)</b>	<b>(0.34)</b>	<b>\$ (2,367)</b>	<b>\$ (0)</b>	<b>\$ (239)</b>	<b>\$ (0)</b>	<b>\$ (2,128)</b>	<b>(0.15)</b>
Unrealized Gains/(Losses)	\$ (134)	(0.03)	\$ -	-	\$ 134	0.03	\$ (295)	(0.02)	\$ -	-	\$ 295	(0.02)
<b>Net Income(Loss)</b>	<b>\$ (1,756)</b>	<b>(0.38)</b>	<b>\$ (80)</b>	<b>(0.02)</b>	<b>\$ (1,676)</b>	<b>(0.37)</b>	<b>\$ (2,662)</b>	<b>(0.19)</b>	<b>\$ (239)</b>	<b>(0.02)</b>	<b>\$ (2,423)</b>	<b>(0.17)</b>

Sagepoint Care

Statement of Revenue and Expense

Nursing Center (U100,U200,U300)

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ 1,034,815	\$ 1,047,690	\$ 1,013,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,095,855
Ancillary and Other Services	91,204	108,275	111,426	-	-	-	-	-	-	-	-	-	310,905
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 1,126,019</b>	<b>\$ 1,155,965</b>	<b>\$ 1,124,776</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,406,760</b>
Routine Services	\$ 87,739	\$ 126,419	\$ 114,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 328,461
Ancillary and Other Services	70,119	74,087	78,480	-	-	-	-	-	-	-	-	-	222,686
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 157,858</b>	<b>\$ 200,506</b>	<b>\$ 192,783</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 551,147</b>
<b>Total Net Revenue</b>	<b>\$ 968,161</b>	<b>\$ 955,459</b>	<b>\$ 931,993</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,855,613</b>
Personnel Cost	\$ 339,382	\$ 376,004	\$ 345,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,061,300
Expendable Supplies	54,790	42,934	57,396	-	-	-	-	-	-	-	-	-	155,120
Purchased Services	20,181	30,034	29,310	-	-	-	-	-	-	-	-	-	79,525
Repairs and Maintenance	554	-	13	-	-	-	-	-	-	-	-	-	567
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 414,907</b>	<b>\$ 448,972</b>	<b>\$ 432,633</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,296,512</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 553,254</b>	<b>\$ 506,487</b>	<b>\$ 499,360</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,559,101</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Non Nursing Care Expense Transfer	\$ 107,413	\$ 97,289	\$ 96,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 301,045
Administrative Expense Transfer	448,563	454,419	432,601	-	-	-	-	-	-	-	-	-	1,335,583
<b>Earnings From Operations</b>	<b>\$ (2,722)</b>	<b>\$ (45,221)</b>	<b>\$ (29,584)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (77,527)</b>
Non-Operating Inc(Exp)	\$ 3,841	\$ 3,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,234
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 1,119</b>	<b>\$ (41,828)</b>	<b>\$ (29,584)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (70,293)</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ 1,119</b>	<b>\$ (41,828)</b>	<b>\$ (29,584)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (70,293)</b>

Sagepoint Care

Statement of Revenue and Expense

Nursing Center Unit 100

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ 387,660	\$ 408,920	\$ 400,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,196,930
Ancillary and Other Services	28,436	42,447	41,376	-	-	-	-	-	-	-	-	-	112,259
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 416,096</b>	<b>\$ 451,367</b>	<b>\$ 441,726</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,309,189</b>
Routine Services	\$ 33,211	\$ 50,948	\$ 42,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,531
Ancillary and Other Services	21,167	28,139	32,699	-	-	-	-	-	-	-	-	-	82,005
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 54,378</b>	<b>\$ 79,087</b>	<b>\$ 75,071</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 208,536</b>
<b>Total Net Revenue</b>	<b>\$ 361,718</b>	<b>\$ 372,280</b>	<b>\$ 366,655</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,100,653</b>
Personnel Cost	\$ 124,906	\$ 134,405	\$ 128,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 387,602
Expendable Supplies	19,213	16,163	23,682	-	-	-	-	-	-	-	-	-	59,058
Purchased Services	6,440	11,541	9,620	-	-	-	-	-	-	-	-	-	27,601
Repairs and Maintenance	537	-	13	-	-	-	-	-	-	-	-	-	550
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 151,096</b>	<b>\$ 162,109</b>	<b>\$ 161,606</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 474,811</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 210,622</b>	<b>\$ 210,171</b>	<b>\$ 205,049</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 625,842</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Non Nursing Care Expense Transfer	\$ 40,312	\$ 37,971	\$ 38,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,388
Administrative Expense Transfer	165,096	167,251	159,221	-	-	-	-	-	-	-	-	-	491,568
<b>Earnings From Operations</b>	<b>\$ 5,214</b>	<b>\$ 4,949</b>	<b>\$ 7,723</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,886</b>
Non-Operating Inc(Exp)	\$ 1,287	\$ 1,441	\$ 1,665	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,393
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 6,501</b>	<b>\$ 6,390</b>	<b>\$ 9,388</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,279</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ 6,501</b>	<b>\$ 6,390</b>	<b>\$ 9,388</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,279</b>

Sagepoint Care

Statement of Revenue and Expense

Nursing Center Unit 200

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ 371,060	\$ 382,220	\$ 377,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,131,130
Ancillary and Other Services	29,091	34,431	43,629	-	-	-	-	-	-	-	-	-	107,151
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 400,151</b>	<b>\$ 416,651</b>	<b>\$ 421,479</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,238,281</b>
Routine Services	\$ 37,005	\$ 49,526	\$ 48,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,840
Ancillary and Other Services	23,757	25,261	28,380	-	-	-	-	-	-	-	-	-	77,398
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 60,762</b>	<b>\$ 74,787</b>	<b>\$ 76,689</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 212,238</b>
<b>Total Net Revenue</b>	<b>\$ 339,389</b>	<b>\$ 341,864</b>	<b>\$ 344,790</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,026,043</b>
Personnel Cost	\$ 108,557	\$ 138,729	\$ 122,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,146
Expendable Supplies	19,435	13,024	19,221	-	-	-	-	-	-	-	-	-	51,680
Purchased Services	5,196	8,289	12,125	-	-	-	-	-	-	-	-	-	25,610
Repairs and Maintenance	17	-	-	-	-	-	-	-	-	-	-	-	17
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 133,205</b>	<b>\$ 160,042</b>	<b>\$ 154,206</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 447,453</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 206,184</b>	<b>\$ 181,822</b>	<b>\$ 190,584</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 578,590</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Non Nursing Care Expense Transfer	\$ 38,329	\$ 35,544	\$ 36,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,911
Administrative Expense Transfer	161,981	164,096	156,217	-	-	-	-	-	-	-	-	-	482,294
<b>Earnings From Operations</b>	<b>\$ 5,874</b>	<b>\$ (17,818)</b>	<b>\$ (1,672)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (13,616)</b>
Non-Operating Inc(Exp)	\$ 1,028	\$ 712	\$ 900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,640
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 6,902</b>	<b>\$ (17,106)</b>	<b>\$ (772)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,976)</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ 6,902</b>	<b>\$ (17,106)</b>	<b>\$ (772)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,976)</b>

Sagepoint Care

Statement of Revenue and Expense

Nursing Center Unit 300

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ 276,095	\$ 256,550	\$ 235,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 767,795
Ancillary and Other Services	33,677	31,397	26,421	-	-	-	-	-	-	-	-	-	91,495
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 309,772</b>	<b>\$ 287,947</b>	<b>\$ 261,571</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 859,290</b>
Routine Services	\$ 17,523	\$ 25,945	\$ 23,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,090
Ancillary and Other Services	25,195	20,687	17,401	-	-	-	-	-	-	-	-	-	63,283
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 42,718</b>	<b>\$ 46,632</b>	<b>\$ 41,023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 130,373</b>
<b>Total Net Revenue</b>	<b>\$ 267,054</b>	<b>\$ 241,315</b>	<b>\$ 220,548</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 728,917</b>
Personnel Cost	\$ 105,919	\$ 102,870	\$ 94,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,552
Expendable Supplies	16,142	13,747	14,493	-	-	-	-	-	-	-	-	-	44,382
Purchased Services	8,545	10,204	7,565	-	-	-	-	-	-	-	-	-	26,314
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 130,606</b>	<b>\$ 126,821</b>	<b>\$ 116,821</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 374,248</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 136,448</b>	<b>\$ 114,494</b>	<b>\$ 103,727</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 354,669</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Non Nursing Care Expense Transfer	\$ 28,772	\$ 23,774	\$ 22,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,746
Administrative Expense Transfer	121,486	123,072	117,163	-	-	-	-	-	-	-	-	-	361,721
<b>Earnings From Operations</b>	<b>\$ (13,810)</b>	<b>\$ (32,352)</b>	<b>\$ (35,636)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (81,798)</b>
Non-Operating Inc(Exp)	\$ 1,526	\$ 1,240	\$ 1,349	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,115
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ (12,284)</b>	<b>\$ (31,112)</b>	<b>\$ (34,287)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (77,683)</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ (12,284)</b>	<b>\$ (31,112)</b>	<b>\$ (34,287)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (77,683)</b>

Sagepoint Care

Statement of Revenue and Expense

Rehabilitation Unit

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ 187,080	\$ 170,650	\$ 178,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 536,230
Ancillary and Other Services	139,806	113,248	126,970	-	-	-	-	-	-	-	-	-	380,024
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 326,886</b>	<b>\$ 283,898</b>	<b>\$ 305,470</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 916,254</b>
Routine Services	\$ (74,742)	\$ (59,130)	\$ (55,999)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (189,871)
Ancillary and Other Services	142,828	111,383	127,918	-	-	-	-	-	-	-	-	-	382,129
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 68,086</b>	<b>\$ 52,253</b>	<b>\$ 71,919</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 192,258</b>
<b>Total Net Revenue</b>	<b>\$ 258,800</b>	<b>\$ 231,645</b>	<b>\$ 233,551</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 723,996</b>
Personnel Cost	\$ 109,106	\$ 102,608	\$ 98,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,367
Expendable Supplies	34,608	27,513	31,343	-	-	-	-	-	-	-	-	-	93,462
Purchased Services	50,959	37,180	42,757	-	-	-	-	-	-	-	-	-	130,896
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 194,671</b>	<b>\$ 167,301</b>	<b>\$ 172,753</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 534,725</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ 64,129</b>	<b>\$ 64,344</b>	<b>\$ 60,798</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 189,271</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Non Nursing Care Expense Transfer	\$ 13,671	\$ 12,471	\$ 13,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,452
Administrative Expense Transfer	65,416	66,269	63,088	-	-	-	-	-	-	-	-	-	194,773
<b>Earnings From Operations</b>	<b>\$ (14,958)</b>	<b>\$ (14,396)</b>	<b>\$ (15,600)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (44,954)</b>
Non-Operating Inc(Exp)	\$ 602	\$ 586	\$ 573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,761
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ (14,356)</b>	<b>\$ (13,810)</b>	<b>\$ (15,027)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (43,193)</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ (14,356)</b>	<b>\$ (13,810)</b>	<b>\$ (15,027)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (43,193)</b>
Census	545	534	554	-	-	-	-	-	-	-	-	-	1,633
Average Daily Census	17.6	17.2	18.5	-	-	-	-	-	-	-	-	-	17.8
Occupancy Percentage	83.7%	82.0%	87.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	84.5%
Average Revenue Per Day	475	434	422	-	-	-	-	-	-	-	-	-	443

Sagepoint Care

Statement of Revenue and Expense

Adult Day Services La Plata

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	100,278	94,144	92,471	-	-	-	-	-	-	-	-	-	286,893
<b>Gross Patient Revenue</b>	<b>\$ 100,278</b>	<b>\$ 94,144</b>	<b>\$ 92,471</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 286,893</b>
Routine Services	\$ 3,948	\$ 3,738	\$ 3,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,263
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ 3,948</b>	<b>\$ 3,738</b>	<b>\$ 3,577</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,263</b>
<b>Total Net Revenue</b>	<b>\$ 96,330</b>	<b>\$ 90,406</b>	<b>\$ 88,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 275,630</b>
Personnel Cost	\$ 45,046	\$ 43,946	\$ 47,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,605
Expendable Supplies	8,354	8,051	8,431	-	-	-	-	-	-	-	-	-	24,836
Purchased Services	11,901	12,526	13,017	-	-	-	-	-	-	-	-	-	37,444
Repairs and Maintenance	7,667	4,545	4,451	-	-	-	-	-	-	-	-	-	16,663
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 72,968</b>	<b>\$ 69,068</b>	<b>\$ 73,512</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 215,548</b>
<b>Earnings Before Interest, Depreciation Amortization and Rent Expense</b>	<b>\$ 23,362</b>	<b>\$ 21,338</b>	<b>\$ 15,382</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,082</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	1,806	2,860	2,860	-	-	-	-	-	-	-	-	-	7,526
Rent Expense	3,468	3,468	3,468	-	-	-	-	-	-	-	-	-	10,404
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 5,274</b>	<b>\$ 6,328</b>	<b>\$ 6,328</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,930</b>
Non Nursing Care Expense Transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 18,088</b>	<b>\$ 15,010</b>	<b>\$ 9,054</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,152</b>
Non-Operating Inc(Exp)	\$ 70	\$ -	\$ 36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 18,158</b>	<b>\$ 15,010</b>	<b>\$ 9,090</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,258</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ 18,158</b>	<b>\$ 15,010</b>	<b>\$ 9,090</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,258</b>

**Sagepoint Care**  
Statement of Revenue and Expense

**Non Nursing Care**

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Net Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Personnel Cost	\$ 73,591	\$ 70,490	\$ 66,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,499
Expendable Supplies	45,475	37,533	40,751	-	-	-	-	-	-	-	-	-	123,759
Purchased Services	1,603	1,737	1,690	-	-	-	-	-	-	-	-	-	5,030
Repairs and Maintenance	415	-	794	-	-	-	-	-	-	-	-	-	1,209
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 121,084</b>	<b>\$ 109,760</b>	<b>\$ 109,653</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 340,497</b>
<b>Earnings Before Interest, Depreciation and Amortization</b>	<b>\$ (121,084)</b>	<b>\$ (109,760)</b>	<b>\$ (109,653)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (340,497)</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Non Nursing Care Expense Transfer	\$ (121,084)	\$ (109,760)	\$ (109,653)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (340,497)
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Non-Operating Inc(Exp)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Sagepoint Care

Statement of Revenue and Expense

Administration

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
Management Fee Income	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	150	640	-	-	-	-	-	-	-	-	-	790
<b>Total Allowances</b>	<b>\$ -</b>	<b>\$ 150</b>	<b>\$ 640</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 790</b>
<b>Total Net Revenue</b>	<b>\$ -</b>	<b>\$ (150)</b>	<b>\$ (640)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (790)</b>
Personnel Cost	\$ 179,947	\$ 170,621	\$ 159,774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 510,342
Expendable Supplies	20,696	19,328	22,243	-	-	-	-	-	-	-	-	-	62,267
Purchased Services	219,532	250,767	224,007	-	-	-	-	-	-	-	-	-	694,306
Repairs and Maintenance	21,952	7,561	17,215	-	-	-	-	-	-	-	-	-	46,728
Provision for Bad Debt	6,000	6,000	6,000	-	-	-	-	-	-	-	-	-	18,000
<b>Total Operating Expenses</b>	<b>\$ 448,127</b>	<b>\$ 454,277</b>	<b>\$ 429,239</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,331,643</b>
<b>Earnings Before Interest, Depreciation</b>	<b>\$ (448,127)</b>	<b>\$ (454,277)</b>	<b>\$ (429,879)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,332,433)</b>
<b>Amortization and Rent Expense</b>	<b>\$ (448,127)</b>	<b>\$ (454,277)</b>	<b>\$ (429,879)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,332,433)</b>
Interest	\$ 1,575	\$ 1,625	\$ 1,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,818
Depreciation & Amortization	21,901	22,410	22,456	-	-	-	-	-	-	-	-	-	66,767
Rent Expense	42,376	42,376	42,376	-	-	-	-	-	-	-	-	-	127,128
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 65,852</b>	<b>\$ 66,411</b>	<b>\$ 66,450</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 198,713</b>
Non Nursing Care Expense Transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Expense Transfer	(513,979)	(520,688)	(495,689)	-	-	-	-	-	-	-	-	-	(1,530,356)
<b>Earnings From Operations</b>	<b>\$ -</b>	<b>\$ (150)</b>	<b>\$ (640)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (790)</b>
Contributions	\$ 500	\$ 262	\$ 138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900
Non-Operating Inc(Exp)	(1,458)	101	(1,120)	-	-	-	-	-	-	-	-	-	(2,477)
<b>Earnings Before Unrealized</b>	<b>\$ (958)</b>	<b>\$ 213</b>	<b>\$ (1,622)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,367)</b>
<b>Gains/(Losses)</b>	<b>\$ (958)</b>	<b>\$ 213</b>	<b>\$ (1,622)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,367)</b>
Unrealized Gains/(Losses)	\$ (64)	\$ (97)	\$ (134)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (295)
<b>Net Income(Loss)</b>	<b>\$ (1,022)</b>	<b>\$ 116</b>	<b>\$ (1,756)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,662)</b>

Sagepoint Care

Statement of Revenue and Expense

Consolidation

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ 1,221,895	\$ 1,218,340	\$ 1,191,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,632,085
Ancillary and Other Services	231,011	221,522	238,396	-	-	-	-	-	-	-	-	-	690,929
Adult Day Care	100,278	94,144	92,471	-	-	-	-	-	-	-	-	-	286,893
Management Fee Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Revenue</b>	<b>\$ 1,553,184</b>	<b>\$ 1,534,006</b>	<b>\$ 1,522,717</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,609,907</b>
Routine Services	\$ 16,945	\$ 71,028	\$ 61,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,854
Ancillary and Other Services	212,946	185,469	206,398	-	-	-	-	-	-	-	-	-	604,813
Charity Care	-	150	640	-	-	-	-	-	-	-	-	-	790
<b>Total Allowances</b>	<b>\$ 229,891</b>	<b>\$ 256,647</b>	<b>\$ 268,919</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 755,457</b>
<b>Total Net Revenue</b>	<b>\$ 1,323,293</b>	<b>\$ 1,277,359</b>	<b>\$ 1,253,798</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,854,450</b>
Personnel Cost	\$ 747,451	\$ 763,668	\$ 718,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,229,491
Expendable Supplies	163,920	135,359	160,164	-	-	-	-	-	-	-	-	-	459,443
Purchased Services	304,176	332,244	310,781	-	-	-	-	-	-	-	-	-	947,201
Repairs and Maintenance	30,587	12,106	22,473	-	-	-	-	-	-	-	-	-	65,166
Provision for Bad Debt	6,000	6,000	6,000	-	-	-	-	-	-	-	-	-	18,000
<b>Total Operating Expenses</b>	<b>\$ 1,252,134</b>	<b>\$ 1,249,377</b>	<b>\$ 1,217,790</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,719,301</b>
<b>Earnings Before Interest, Depreciation Amortization and Rent Expense</b>	<b>\$ 71,159</b>	<b>\$ 27,982</b>	<b>\$ 36,008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 135,149</b>
Interest	\$ 1,575	\$ 1,625	\$ 1,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,818
Depreciation & Amortization	23,707	25,270	25,316	-	-	-	-	-	-	-	-	-	74,293
Rent Expense	45,844	45,844	45,844	-	-	-	-	-	-	-	-	-	137,532
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 71,126</b>	<b>\$ 72,739</b>	<b>\$ 72,778</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 216,643</b>
Non Nursing Care Expense Transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 33</b>	<b>\$ (44,757)</b>	<b>\$ (36,770)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (81,494)</b>
Contributions	\$ 500	\$ 262	\$ 138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,538
Non-Operating Inc(Exp)	3,055	4,080	3,403	-	-	-	-	-	-	-	-	-	-
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 3,588</b>	<b>\$ (40,415)</b>	<b>\$ (33,229)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (70,956)</b>
Unrealized Gains/(Losses)	\$ (64)	\$ (97)	\$ (134)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (295)
<b>Net Income(Loss)</b>	<b>\$ 3,524</b>	<b>\$ (40,512)</b>	<b>\$ (33,363)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (71,251)</b>

Sagepoint Care

Statement of Revenue and Expense

Sagepoint Gardens Assisted Living

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ 154,119	\$ 153,171	\$ 151,141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 458,431
Ancillary and Other Services	-	-	35	-	-	-	-	-	-	-	-	-	35
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 154,119</b>	<b>\$ 153,171</b>	<b>\$ 151,176</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 458,466</b>
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Net Revenue</b>	<b>\$ 154,119</b>	<b>\$ 153,171</b>	<b>\$ 151,176</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 458,466</b>
Personnel Cost	\$ 58,234	\$ 57,133	\$ 50,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,425
Expendable Supplies	12,161	10,831	12,524	-	-	-	-	-	-	-	-	-	35,516
Purchased Services	20,396	18,440	16,927	-	-	-	-	-	-	-	-	-	55,763
Real Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	2,960	3,945	3,995	-	-	-	-	-	-	-	-	-	10,900
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 93,751</b>	<b>\$ 90,349</b>	<b>\$ 83,504</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 267,604</b>
<b>Earnings Before interest, Depreciation Amortization and Rent Expense</b>	<b>\$ 60,368</b>	<b>\$ 62,822</b>	<b>\$ 67,672</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 190,862</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	1,229	1,370	1,370	-	-	-	-	-	-	-	-	-	3,969
Rent Expense	29,013	29,013	29,013	-	-	-	-	-	-	-	-	-	87,039
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 30,242</b>	<b>\$ 30,383</b>	<b>\$ 30,383</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,008</b>
Non Nursing Care Expense Transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 30,126</b>	<b>\$ 32,439</b>	<b>\$ 37,289</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,854</b>
Non-Operating Inc(Exp)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 30,126</b>	<b>\$ 32,439</b>	<b>\$ 37,289</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,854</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ 30,126</b>	<b>\$ 32,439</b>	<b>\$ 37,289</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,854</b>

Sagepoint Care

Statement of Revenue and Expense

Sagepoint Gardens Assisted Living

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ 151,141	159.26	\$ 141,668	152.33	\$ 9,473	6.93	\$ 458,431	159.07	\$ 434,332	157.37	\$ 24,099	1.70
Ancillary and Other Services	35	0.04	-	-	35	0.04	35	0.01	-	-	35	0.01
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 151,176</b>	<b>159.30</b>	<b>\$ 141,668</b>	<b>152.33</b>	<b>\$ 9,508</b>	<b>6.97</b>	<b>\$ 458,466</b>	<b>159.08</b>	<b>\$ 434,332</b>	<b>157.37</b>	<b>\$ 24,134</b>	<b>1.71</b>
Routine Services	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
<b>Total Net Revenue</b>	<b>\$ 151,176</b>	<b>159.30</b>	<b>\$ 141,668</b>	<b>152.33</b>	<b>\$ 9,508</b>	<b>6.97</b>	<b>\$ 458,466</b>	<b>159.08</b>	<b>\$ 434,332</b>	<b>157.37</b>	<b>\$ 24,134</b>	<b>1.71</b>
Personnel Cost	\$ 50,058	52.75	\$ 60,157	64.68	\$ 10,099	11.94	\$ 165,425	57.40	\$ 185,667	67.27	\$ 20,242	9.87
Expendable Supplies	12,524	13.20	11,153	11.99	(1,371)	(1.20)	35,516	12.32	33,459	12.12	(2,057)	(0.20)
Purchased Services	16,927	17.84	17,193	18.49	266	0.65	55,763	19.35	51,579	18.69	(4,184)	(0.66)
Real Property Taxes	-	-	4,875	5.24	4,875	5.24	-	-	14,625	5.30	14,625	5.30
Repairs and Maintenance	3,995	4.21	2,407	2.59	(1,588)	(1.62)	10,900	3.78	7,221	2.62	(3,679)	(1.17)
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 83,504</b>	<b>87.99</b>	<b>\$ 95,785</b>	<b>102.99</b>	<b>\$ 12,281</b>	<b>15.00</b>	<b>\$ 267,604</b>	<b>92.85</b>	<b>\$ 292,551</b>	<b>106.00</b>	<b>\$ 24,947</b>	<b>13.14</b>
<b>Earnings Before Interest, Depreciation</b>												
<b>Amortization and Rent Expense</b>	<b>\$ 67,672</b>	<b>71.31</b>	<b>\$ 45,883</b>	<b>49.34</b>	<b>\$ 21,789</b>	<b>21.97</b>	<b>\$ 190,862</b>	<b>66.23</b>	<b>\$ 141,781</b>	<b>51.37</b>	<b>\$ 49,081</b>	<b>14.86</b>
Interest	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	1,370	1.44	966	1.04	(404)	(0.40)	3,969	1.38	2,898	1.05	(1,071)	(0.33)
Rent Expense	29,013	30.57	29,013	31.20	-	0.62	87,039	30.20	87,039	31.54	-	1.33
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 30,383</b>	<b>32.02</b>	<b>\$ 29,979</b>	<b>32.24</b>	<b>\$ (404)</b>	<b>0.22</b>	<b>\$ 91,008</b>	<b>31.58</b>	<b>\$ 89,937</b>	<b>32.59</b>	<b>\$ (1,071)</b>	<b>1.01</b>
Non Nursing Care Expense Transfer	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 37,289</b>	<b>39.29</b>	<b>\$ 15,904</b>	<b>17.10</b>	<b>\$ 21,385</b>	<b>22.19</b>	<b>\$ 99,854</b>	<b>34.65</b>	<b>\$ 51,844</b>	<b>18.78</b>	<b>\$ 48,010</b>	<b>15.86</b>
Non-Operating Inc(Exp)	\$ -	-	-	-	-	-	\$ -	-	-	-	-	-
<b>Earnings Before Unrealized</b>												
<b>Gains/(Losses)</b>	<b>\$ 37,289</b>	<b>39.29</b>	<b>\$ 15,904</b>	<b>17.10</b>	<b>\$ 21,385</b>	<b>22.19</b>	<b>\$ 99,854</b>	<b>34.65</b>	<b>\$ 51,844</b>	<b>18.78</b>	<b>\$ 48,010</b>	<b>15.86</b>
Unrealized Gains/(Losses)	\$ -	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income(Loss)</b>	<b>\$ 37,289</b>	<b>39.29</b>	<b>\$ 15,904</b>	<b>17.10</b>	<b>\$ 21,385</b>	<b>22.19</b>	<b>\$ 99,854</b>	<b>34.65</b>	<b>\$ 51,844</b>	<b>18.78</b>	<b>\$ 48,010</b>	<b>15.86</b>

Sagepoint Care

Statement of Revenue and Expense

Sagepoint Memory Care

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ 57,171	\$ 60,253	\$ 60,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,138
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Revenue</b>	<b>\$ 57,171</b>	<b>\$ 60,253</b>	<b>\$ 60,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,138</b>
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Net Revenue</b>	<b>\$ 57,171</b>	<b>\$ 60,253</b>	<b>\$ 60,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,138</b>
Personnel Cost	\$ 20,040	\$ 20,653	\$ 19,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,981
Expendable Supplies	4,481	5,640	4,771	-	-	-	-	-	-	-	-	-	14,892
Purchased Services	7,583	7,826	8,096	-	-	-	-	-	-	-	-	-	23,505
Real Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1,544	1,493	344	-	-	-	-	-	-	-	-	-	3,381
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 33,648</b>	<b>\$ 35,612</b>	<b>\$ 32,499</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 101,759</b>
<b>Earnings Before Interest, Depreciation Amortization and Rent Expense</b>	<b>\$ 23,523</b>	<b>\$ 24,641</b>	<b>\$ 28,215</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,379</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	1,105	1,105	1,105	-	-	-	-	-	-	-	-	-	3,315
Rent Expense	13,216	13,216	13,216	-	-	-	-	-	-	-	-	-	39,648
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 14,321</b>	<b>\$ 14,321</b>	<b>\$ 14,321</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,963</b>
Non Nursing Care Expense Transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 9,202</b>	<b>\$ 10,320</b>	<b>\$ 13,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,416</b>
Non-Operating Inc(Exp)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 9,202</b>	<b>\$ 10,320</b>	<b>\$ 13,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,416</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ 9,202</b>	<b>\$ 10,320</b>	<b>\$ 13,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,416</b>

**Sagepoint Care**

Statement of Revenue and Expense

**Sagepoint Memory Care**

	Month Ended September 2015						Year to Date September 2015					
	Actual	PPD	Budget	PPD	Variance	PPD	Actual	PPD	Budget	PPD	Variance	PPD
Routine Services	\$ 60,714	168.65	\$ 50,559	168.53	\$ 10,155	0.12	\$ 178,138	168.53	\$ 158,547	172.33	\$ 19,591	(3.80)
Ancillary and Other Services	-	-	1,000	3.33	(1,000)	(3.33)	-	-	-	-	-	-
Adult Day Care	-	-	167	0.56	(167)	(0.56)	-	-	-	-	-	-
<b>Gross Revenue</b>	<b>\$ 60,714</b>	<b>168.65</b>	<b>\$ 51,726</b>	<b>172.42</b>	<b>\$ 8,988</b>	<b>(3.77)</b>	<b>\$ 178,138</b>	<b>168.53</b>	<b>\$ 158,547</b>	<b>172.33</b>	<b>\$ 19,591</b>	<b>(3.80)</b>
Routine Services	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
<b>Total Net Revenue</b>	<b>\$ 60,714</b>	<b>168.65</b>	<b>\$ 51,726</b>	<b>172.42</b>	<b>\$ 8,988</b>	<b>(3.77)</b>	<b>\$ 178,138</b>	<b>168.53</b>	<b>\$ 158,547</b>	<b>172.33</b>	<b>\$ 19,591</b>	<b>(3.80)</b>
Personnel Cost	\$ 19,288	53.58	\$ 19,148	63.83	\$ (140)	10.25	\$ 59,981	56.75	\$ 58,860	63.98	\$ (1,121)	7.23
Expendable Supplies	4,771	13.25	4,530	15.10	(241)	1.85	14,892	14.09	13,590	14.77	(1,302)	0.68
Purchased Services	8,096	22.49	8,440	28.13	344	5.64	23,505	22.24	25,320	27.52	1,815	5.28
Real Property Taxes	-	-	3,025	10.08	3,025	10.08	-	-	9,075	9.86	9,075	9.86
Repairs and Maintenance	344	0.96	788	2.63	444	1.67	3,381	3.20	2,364	2.57	(1,017)	(0.69)
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 32,499</b>	<b>90.28</b>	<b>\$ 35,931</b>	<b>119.77</b>	<b>\$ 3,432</b>	<b>29.50</b>	<b>\$ 101,759</b>	<b>98.27</b>	<b>\$ 109,209</b>	<b>118.71</b>	<b>\$ 7,450</b>	<b>22.43</b>
<b>Earnings Before Interest, Depreciation Amortization and Rent Expense</b>	<b>\$ 28,215</b>	<b>78.38</b>	<b>\$ 15,795</b>	<b>52.65</b>	<b>\$ 12,420</b>	<b>25.73</b>	<b>\$ 76,379</b>	<b>72.26</b>	<b>\$ 49,338</b>	<b>53.63</b>	<b>\$ 27,041</b>	<b>18.63</b>
Interest	\$ -	-	-	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Depreciation & Amortization	1,105	3.07	1,108	3.69	3	0.62	3,315	3.14	3,324	3.61	9	0.48
Rent Expense	13,216	36.71	13,216	44.05	-	7.34	39,648	37.51	39,648	43.10	-	5.59
<b>Total Interest, Depreciation and Rent</b>	<b>\$ 14,321</b>	<b>39.78</b>	<b>\$ 14,324</b>	<b>47.75</b>	<b>\$ 3</b>	<b>7.97</b>	<b>\$ 42,963</b>	<b>40.65</b>	<b>\$ 42,972</b>	<b>46.71</b>	<b>\$ 9</b>	<b>6.06</b>
Non Nursing Care Expense Transfer	\$ -	-	-	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ 13,894</b>	<b>38.59</b>	<b>\$ 1,471</b>	<b>4.90</b>	<b>\$ 12,423</b>	<b>33.69</b>	<b>\$ 33,416</b>	<b>31.61</b>	<b>\$ 6,366</b>	<b>6.92</b>	<b>\$ 27,050</b>	<b>24.69</b>
Non-Operating Inc(Exp)	\$ -	-	-	-	-	-	\$ -	-	\$ -	-	-	-
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ 13,894</b>	<b>38.59</b>	<b>\$ 1,471</b>	<b>4.90</b>	<b>\$ 12,423</b>	<b>33.69</b>	<b>\$ 33,416</b>	<b>31.61</b>	<b>\$ 6,366</b>	<b>6.92</b>	<b>\$ 27,050</b>	<b>24.69</b>
Unrealized Gains/(Losses)	\$ -	-	-	-	-	-	\$ -	-	\$ -	-	\$ -	-
<b>Net Income(Loss)</b>	<b>\$ 13,894</b>	<b>38.59</b>	<b>\$ 1,471</b>	<b>4.90</b>	<b>\$ 12,423</b>	<b>33.69</b>	<b>\$ 33,416</b>	<b>31.61</b>	<b>\$ 6,366</b>	<b>6.92</b>	<b>\$ 27,050</b>	<b>24.69</b>

Census

360

300

60

1,057

920

137

Sagepoint Care

Statement of Revenue and Expense

Sagepoint Home Care

	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-
Home Care	-	-	46,099	-	-	-	-	-	-	-	-	-	46,099
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,099</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,099</b>
Routine Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ancillary and Other Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Charity Care	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Allowances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Net Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,099</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,099</b>
Personnel Cost	\$ -	\$ -	\$ 6,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,034
Expendable Supplies	-	-	3,727	-	-	-	-	-	-	-	-	-	3,727
Purchased Services	-	-	35,167	-	-	-	-	-	-	-	-	-	35,167
Real Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,928</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,928</b>
<b>Earnings Before Interest, Depreciation Amortization and Rent Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,171</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,171</b>
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent Expense	-	-	1,372	-	-	-	-	-	-	-	-	-	1,372
<b>Total Interest, Depreciation and Rent</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,372</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,372</b>
Non Nursing Care Expense Transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Expense Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings From Operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (201)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (201)</b>
Non-Operating Inc(Exp)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Earnings Before Unrealized Gains/(Losses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (201)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (201)</b>
Unrealized Gains/(Losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Income(Loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (201)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (201)</b>

## Overtime and Agency Report

OVERTIME REPORT	
Pay Period	Amt/ OT
3/18/2015	\$24,663
4/1/2015	\$25,483
4/15/2015	\$20,188
4/29/2015	\$18,626
5/13/2015	\$21,268
5/27/2015	\$23,043
6/10/2015	\$20,465
6/24/2015	\$24,041
7/8/2015	\$31,835
7/22/2015	\$27,529
8/5/2015	\$29,864
8/19/2015	\$31,124
9/2/2015	\$28,630
9/16/2015	\$25,332
9/30/2015	\$27,140

TOTAL HOURS				
Pay Period	Paid Hours	Productive Hours	Actual Pt. Days	Total Wages
3/18/2015	17,189	13,036	2,215	\$350,489
4/1/2015	17,541	13,465	2,226	\$359,864
4/15/2015	17,434	13,569	2,258	\$355,992
4/29/2015	17,580	13,480	2,180	\$352,447
5/13/2015	17,174	13,282	2,123	\$357,102
5/27/2015	17,322	13,322	2,184	\$348,493
6/10/2015	17,456	13,217	2,149	\$356,200
6/24/2015	17,607	13,379	2,191	\$361,666
7/8/2015	17,910	13,500	2,199	\$367,744
7/22/2015	17,642	13,332	2,148	\$360,853
8/5/2015	17,652	13,527	2,176	\$359,022
8/19/2015	17,620	13,548	2,121	\$356,429
9/2/2015	17,776	13,592	2,086	\$357,536
9/16/2015	17,645	13,343	2,137	\$356,346
9/30/2015	17,818	13,712	2,185	\$357,935

AGENCY REPORT						
Month	Shifts			Total Hours	Total Cost	
	RN/LPN	Traveler's	GNA		Trad.	Traveler's
October '13	0	0	0	0	\$K	\$K
November '13	0	0	0	0	\$K	\$K
December '13	0	0	0	0	\$K	\$K
January '14	0	0	0	0	\$K	\$K
February '14	0	0	0	0	\$K	\$K
March '14	0	0	0	0	\$K	\$K
April '14	0	0	0	0	\$K	\$K
May '14	0	0	0	0	\$K	\$K
June '14	0	0	0	0	\$K	\$K
July '14	0	0	0	0	\$K	\$K
August '14	0	0	0	0	\$K	\$K
September '14	0	0	0	0	\$K	\$K
October '14	0	0	0	0	\$K	\$K
November '14	0	0	0	0	\$K	\$K
December '14	0	0	0	0	\$K	\$K
January '15	0	0	0	0	\$K	\$K
February '15	0	0	0	0	\$K	\$K
March '15	0	0	0	0	\$K	\$K
April '15	0	0	0	0	\$K	\$K
May '15	0	0	0	0	\$K	\$K
June '15	0	0	0	0	\$K	\$K
July '15	0	0	0	0	\$K	\$K
August '15	0	0	0	0	\$K	\$K
September '15	0	0	0	0	\$K	\$K

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Consolidated Financial Statements

June 30, 2015 and 2014



**BAKER TILLY**

Candor. Insight. Results.

# Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services

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Table of Contents  
June 30, 2015 and 2014

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Consolidated Balance Sheet	3
Consolidated Statement of Operations and Changes in Net Assets	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
<b>Supplementary Information</b>	
Consolidating Balance Sheet	18
Consolidating Statement of Operations and Changes in Net Assets	19



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## Independent Auditors' Report

Board of Trustees  
Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services

We have audited the accompanying consolidated financial statements of Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services which comprise the consolidated balance sheet as of June 30, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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 auditors' 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.

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 Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services as of June 30, 2015 and 2014, and the results of their operations, changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Consolidating Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of balance sheet, and operations and changes in net assets on pages 18 and 19 are presented for purposes of additional analysis of the consolidated financial statements rather than present the financial position, results of operations, and changes in net assets of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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 to 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Baker Tilly Viechow Krause, LLP*

Lancaster, Pennsylvania  
October 23, 2015

**Family of Care Alliance, Inc. and Affiliates**  
**d/b/a Sagepoint Senior Living Services**

Consolidated Balance Sheet  
June 30, 2015 and 2014

<b>Assets</b>	<u>2015</u>	<u>2014</u>	<b>Liabilities and Net Assets</b>	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 4,241,191	\$ 3,658,078	Accounts payable and accrued expenses	\$ 768,201	\$ 668,103
Accounts receivable, net	1,922,526	1,950,161	Accrued payroll and related expenses	945,936	907,446
Inventory	118,807	110,434	Deferred revenue	562,591	496,964
Prepaid expenses	<u>187,901</u>	<u>113,562</u>	Due to third-party payors, net	122,373	408,365
Total current assets	6,470,425	5,832,235	Working capital loan	121,341	121,341
<b>Assets Whose Use is Limited</b>	1,056,242	-	Line of credit	582,000	600,000
<b>Investments</b>	3,332,547	3,840,844	Current portion of long-term debt	<u>227,982</u>	<u>157,586</u>
<b>Property and Equipment, Net</b>	18,704,278	17,176,588	Total current liabilities	3,330,424	3,359,805
<b>Deferred Costs, Net</b>	171,032	139,568	<b>Long-Term Debt, Net</b>	<u>7,318,568</u>	<u>5,227,330</u>
Total assets	<u>\$ 29,734,524</u>	<u>\$ 26,989,235</u>	Total liabilities	10,648,992	8,587,135
			<b>Net Assets</b>		
			Unrestricted	<u>19,085,532</u>	<u>18,402,100</u>
			Total liabilities and net assets	<u>\$ 29,734,524</u>	<u>\$ 26,989,235</u>

See notes to consolidated financial statements

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Consolidated Statement of Operations and Changes in Net Assets  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Revenues, Gains, and Other Support</b>		
Nursing care	\$ 15,017,554	14,952,813
Adult day care	1,114,936	1,078,564
Assisted living	2,313,692	1,883,824
Management fees	52,800	135,544
Contributions	84,039	13,847
Investment income	42,538	104,833
Rent	131,776	129,202
Other revenue	5,615	34,831
Net assets released from restriction	-	345
	<u>18,762,950</u>	<u>18,333,803</u>
<b>Expenses</b>		
Personnel costs	11,340,567	11,106,014
Purchased services	3,359,180	2,782,214
Supplies	2,045,793	1,961,496
Repairs and maintenance	272,172	308,816
Interest	189,355	172,766
Depreciation and amortization	840,818	780,490
Bad debt expense	31,633	79,331
	<u>18,079,518</u>	<u>17,191,127</u>
Operating income and increase in unrestricted net assets		
	683,432	1,142,676
<b>Temporarily Restricted Net Assets</b>		
Net assets released from restriction	-	(345)
Increase in net assets		
	683,432	1,142,331
<b>Net Assets, Beginning</b>		
	<u>18,402,100</u>	<u>17,259,769</u>
<b>Net Assets, Ending</b>		
	<u>\$ 19,085,532</u>	<u>\$ 18,402,100</u>

See notes to consolidated financial statements

**Family of Care Alliance, Inc. and Affiliates**  
**d/b/a Sagepoint Senior Living Services**

Consolidated Statement of Cash Flows  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 683,432	\$ 1,142,331
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	840,818	780,490
Net realized and unrealized losses (gains) on investments	33,835	(67,723)
Change in allowance for uncollectible accounts	(50,756)	40,756
Changes in assets and liabilities:		
Accounts receivable	78,391	(6,161)
Inventory	(8,373)	(17,165)
Prepaid expenses	(74,339)	(94,054)
Due to third-party payors, net	(285,992)	190,615
Accounts payable and accrued expenses	100,098	(6,534)
Accrued payroll and related taxes payable	38,490	67,466
Deferred revenue	65,627	21,498
Net cash provided by operating activities	<u>1,421,231</u>	<u>2,051,519</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment	(2,360,854)	(1,663,336)
Net purchases of investments and assets whose use is limited	<u>(581,780)</u>	<u>(1,481,874)</u>
Net cash used in investing activities	<u>(2,942,634)</u>	<u>(3,145,210)</u>
<b>Cash Flows from Financing Activities</b>		
Deferred costs incurred	(39,118)	(42,102)
Long-term debt borrowings	2,319,221	-
Payments of long-term debt	(157,587)	(152,902)
Borrowings on working capital loan	-	41,379
Line of credit borrowings (repayments)	<u>(18,000)</u>	<u>600,000</u>
Net cash provided by financing activities	<u>2,104,516</u>	<u>446,375</u>
Net increase (decrease) in cash and cash equivalents	583,113	(647,316)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,658,078</u>	<u>4,305,394</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,241,191</u>	<u>\$ 3,658,078</u>
<b>Supplementary Cash Flows Information</b>		
Interest paid	<u>\$ 189,355</u>	<u>\$ 172,766</u>

See notes to consolidated financial statements

# **Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services**

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## **1. Organization Operations**

Family of Care Alliance, Inc. (“FOCA”), which began operations April 1, 2014, was incorporated under the laws of the state of Maryland in 2012 for the purpose of operating exclusively for the benefit of, to perform the function of, and to carry out the purposes of by, among other things, engaging in the activities of managing, supervising, monitoring, reviewing, coordinating and planning for the following supported organizations for which the FOCA is the sole member:

Charles County Nursing and Rehabilitation Center, Inc. (“CCNRC”) was incorporated under the laws of the state of Maryland in 1976 and operates a 165-bed comprehensive care nursing home center, a 63-slot adult day care center, a 32-bed assisted living facility, and a 12-bed memory care facility, which opened during 2014. CCNRC also operates a medical office building. CCNRC’s operations are located in Charles County, Maryland.

Family of Care Real Estate Holding Company, Inc. (“FOCRHC”), which began operations April 1, 2014, was incorporated under the laws of the state of Maryland in 2012 to operate exclusively for the benefit of CCNRC, by among other things, holding real property for the sole benefit of CCNRC.

Charles County Nursing and Rehabilitation Center Foundation, Inc. (the “Foundation”) was incorporated under the laws of Maryland in 2003 and operates exclusively for fundraising purposes in support of the Organization. The Foundation has temporarily ceased operations in 2012.

Together Family of Care Alliance and affiliates (“the Organization”) has rebranded during fiscal year 2015 and is now doing business as Sagepoint Senior Living Services.

## **2. Summary of Significant Accounting Policies**

### **Principles of Consolidation**

The consolidated financial statements include the accounts of FOCA, CCNRC, FOCRHC and the Foundation (collectively the “Organization”). All material intercompany balances and transactions have been eliminated in consolidation.

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, excluding those classified as investments or assets whose use is limited.

# **Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services**

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## **Accounts Receivable**

Accounts receivable for services provided to residents consists of amounts owed directly from residents on a private pay basis and amounts owed from third-party payors on behalf of residents. Receivables from third-party payors are recorded at established rates, net of contractual adjustments specific to each payor. Receivables from private pay residents are recorded at established rates. Receivables are considered to be past due when payments have not been received by the Organization by their contractually stated due date. The provision for uncollectible accounts receivable is based on management's assessment of the collectability of individual receivables and the aggregate aging of all of the accounts receivable. Losses are charged against the allowance for uncollectible accounts receivable when management believes the uncollectibility of a receivable is confirmed. Recoveries of previously charged off accounts are recorded when received. The allowance for uncollectible accounts receivable was \$100,000 and \$150,756, at June 30, 2015 and 2014, respectively.

## **Inventory**

Inventory is stated at the lower of cost (determined on a first-in, first-out basis) or market and consists primarily of food and supplies.

## **Property and Equipment**

Property and equipment are recorded at cost. The Organization's policy is to capitalize all property and equipment in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from 5 to 40 years. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

## **Deferred Financing Costs**

Costs associated with the financing of the Organization have been capitalized as deferred financing costs. Deferred financing costs are amortized on a straight-line basis, which approximates the effective yield method, over the term of the applicable debt obligation.

## **Deferred Revenue**

Deferred revenue represents service fees billed to residents in advance. These amounts are recorded as deferred revenue in the month billed and recognized as revenue in the following month.

## **Donor Restrictions**

The Organization reports gifts of cash and other assets as restricted support 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 consolidated statement of operations and consolidated statement of changes in net assets as net assets released from restrictions.

## Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

There are three classes of net assets - permanently restricted, temporarily restricted, and unrestricted. The Organization does not maintain any permanently restricted net assets.

*Temporarily restricted net assets* are net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. At June 30, 2015 and 2014, there were no amounts restricted.

*Unrestricted net assets* are net assets not subject to donor-imposed stipulations. The Board of Trustees may, at its discretion, designate unrestricted funds for mission related purposes.

The Organization reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### Net Resident and Patient Services

Net resident and patient services revenue consists of nursing care, adult day care, and assisted living revenue and is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Revenue under third-party payor 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 the consolidated statement of operations in the year of settlement. A summary of the principal payment arrangements with third-party payors is as follows:

**Medicare:** Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates are according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Therapy services provided to Medicare B beneficiaries are paid at the lesser of a published fee schedule or actual charges. Approximately 24% and 28% during 2015 and 2014, respectively, of nursing care revenue was derived from the Medicare program.

**Medical Assistance:** Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Approximately 64% and 65% during 2015 and 2014, respectively, of nursing care revenue was derived from the Medical Assistance program.

# **Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services**

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

## **Donated Services**

A significant number of volunteers annually donate their services to the Organization. The value of these donated services is not reflected in the consolidated financial statements.

## **Advertising**

The Organization's policy is to expense all advertising costs as incurred. Advertising expense totaled \$48,162 and \$23,679 for the years ended June 30, 2015 and 2014, respectively.

## **Income Taxes**

FOCA, CCNRC, FOCRHC, and the Foundation are all not-for-profit entities as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and are exempt from income taxes on related activities pursuant to Section 509(a) of the IRC.

The Organization follows the provisions of accounting for uncertainty in income taxes, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The provision also provides guidance on de-recognition, classification, interest and penalties, and disclosures. Management has determined that these provisions do not have a material impact on the consolidated financial statements.

Both CCNRC and the Foundation's federal Exempt Organization Business Income Tax Returns for the years ended June 30, 2014, 2013, and 2012 remain subject to examination by the Internal Revenue Service. FOCA and FOCRHC's federal Exempt Organization Business Income Tax Returns for the year ended June 30, 2014 remain subject to examination by the Internal Revenue Service.

## **Operating Indicator**

The consolidated statement of operations includes in the operating indicator, labeled as operating income and increase in unrestricted net assets, all unrestricted revenue and expenses.

## **Subsequent Events**

The Organization has evaluated subsequent events through October 23, 2015, which is the date the consolidated financial statements were available to be issued.

### **3. Investments, Assets Whose Use is Limited, and Fair Value Measurements**

The Organization measures its investments and assets whose use is limited at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The fair value of the Organization's investments and assets whose use is limited are measured using the following inputs at June 30, 2015 and 2014:

	<b>2015</b>				
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Reported at Fair Value:</b>					
Assets Whose Use is Limited – cash and cash equivalents	\$ 1,056,242	\$ 1,056,242	\$ 1,056,242	\$ -	\$ -
Investments:					
Cash and cash equivalents	\$ 117,884	\$ 117,884	\$ 117,884	\$ -	\$ -
Certificates of deposit	1,286,362	1,286,362	1,286,362	-	-
Mutual funds	729,394	729,394	729,394	-	-
Government bonds	50,188	50,188	-	50,188	-
Government agency bonds	50,117	50,117	-	50,117	-
Corporate bonds	427,590	427,590	-	427,590	-
Common stocks	671,012	671,012	671,012	-	-
Total	<u>\$ 3,332,547</u>	<u>\$ 3,332,547</u>	<u>\$ 2,804,652</u>	<u>\$ 527,895</u>	<u>\$ -</u>

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

	<b>2014</b>				
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Reported at Fair Value:</b>					
Investments:					
Cash and cash equivalents	\$ 105,569	\$ 105,569	\$ 105,569	\$ -	\$ -
Certificates of deposit	1,782,225	1,782,225	1,782,225	-	-
Mutual funds	754,890	754,890	754,890	-	-
Government bonds	49,584	49,584	-	49,584	-
Government agency bonds	49,993	49,993	-	49,993	-
Corporate bonds	433,292	433,292	-	433,292	-
Common stocks	665,291	665,291	665,291	-	-
Total	<u>\$ 3,840,844</u>	<u>\$ 3,840,844</u>	<u>\$ 3,307,975</u>	<u>\$ 532,869</u>	<u>\$ -</u>

Assets whose use is limited consists of cash and cash equivalents held in trust for future capital projects.

Investments are classified as follows at June 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Restricted by letter of credit:		
Unemployment collateral	\$ 133,870	\$ 126,973
Risk retention group collateral	210,000	76,000
	<u>343,870</u>	<u>202,973</u>
Unrestricted	2,988,677	3,637,871
	<u>\$ 3,332,547</u>	<u>\$ 3,840,844</u>

Interest income consists of the following during the years ended June 30:

	<b>2015</b>	<b>2014</b>
Interest and dividends	\$ 76,373	\$ 37,110
Realized gains	10,795	928
Unrealized gains (losses)	(44,630)	66,795
	<u>\$ 42,538</u>	<u>\$ 104,833</u>

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

**4. Accounts Receivable**

Accounts receivable consists of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Medicaid	\$ 752,630	\$ 737,947
Medicare	316,389	436,298
Private pay and other	893,836	876,077
Miscellaneous	<u>59,671</u>	<u>50,595</u>
	2,022,526	2,100,917
Less allowance for doubtful accounts	<u>(100,000)</u>	<u>(150,756)</u>
	<u>\$ 1,922,526</u>	<u>\$ 1,950,161</u>

**5. Property and Equipment**

Property and equipment are recorded at cost and consist of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 5,047,035	\$ 4,006,200
Building and improvements	15,417,743	15,056,447
Furniture and equipment	4,118,175	3,724,939
Vehicles	492,325	429,110
Construction in progress	<u>685,304</u>	<u>183,033</u>
	25,760,582	23,399,729
Less accumulated depreciation	<u>(7,056,304)</u>	<u>(6,223,141)</u>
	<u>\$ 18,704,278</u>	<u>\$ 17,176,588</u>

Depreciation expense totaled \$833,164 and \$775,726 in 2015 and 2014, respectively.

Construction in progress consists primarily of ongoing renovations, master planning, and initial costs related to a Rehabilitation Wing Renovation and Expansion project. A construction contract was signed during July 2015 for approximately \$4,750,000 related to the project.

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

**6. Deferred Expenses**

Deferred expenses consist of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Financing and other costs	\$ 187,836	\$ 148,718
Less accumulated amortization	<u>(16,804)</u>	<u>(9,150)</u>
	<u>\$ 171,032</u>	<u>\$ 139,568</u>

Amortization expense totaled \$7,654 and \$4,764 as of June 30, 2015 and 2014, respectively.

**7. Due From (To) Third-Party Payors**

The amounts due from (to) third-party payors represents the estimated amounts due from (to) the Medicaid and Medicare programs which have not been verified or final settled.

The components of the amounts due from (to) third-party payors as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Estimated cost report settlements Medicaid:		
Year ended June 30, 2013	\$ -	\$ (127,262)
Year ended June 30, 2014	(113,597)	(165,000)
Year ended June 30, 2015	<u>(82,500)</u>	<u>-</u>
	<u>(196,097)</u>	<u>(292,262)</u>
Estimated Medicare bad debt settlements:		
Year ended June 30, 2014	-	(116,103)
Year ended June 30, 2015	<u>73,724</u>	<u>-</u>
	<u>73,724</u>	<u>(116,103)</u>
	<u>\$ (122,373)</u>	<u>(408,365)</u>

**8. Line of Credit**

The Organization has a \$600,000 renewable line of credit with PNC Bank, which expires November 30, 2015. Amounts outstanding under the line of credit bear interest at the bank's prime rate (3.25% at both June 30, 2015 and 2014). There was a balance of \$582,000 and \$600,000 outstanding as of June 30, 2015 and 2014, respectively. The line of credit is secured by an interest in all assets of the Organization.

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

**9. Working Capital Loan**

The Organization received funds in the form of a non-interest bearing working capital loan totaling \$121,341 at both June 30, 2015 and 2014 from the Department of Health and Mental Hygiene ("DHMH") which was established to give nursing home facilities financial assistance during a period when State agencies were collaborating to improve the timeliness of Medicaid eligibility determinations. Under DHMH regulations, this loan must be repaid by May 1, 2016.

**10. Long-Term Debt**

Long-term debt consists of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
2012A Maryland Health and Higher Educational Facility Authority Revenue Bonds (2012A Bonds), through Old Line Bank, at an initial fixed rate of 2.98% through June 2019, then subject to conversions as stated in the agreement, payable in monthly installments of principal and interest of \$25,919. The Bonds mature July 2037.	\$ 4,992,310	\$ 5,149,897
2012B Maryland Health and Higher Educational Facility Authority Revenue Bonds (2012B Bonds), through Old Line Bank, at an initial fixed rate of 2.98% through June 2019, payable interest only to August 2015. The Bonds mature July 2037.	<u>2,554,240</u>	<u>235,019</u>
	7,546,550	5,384,916
Less: current portion	<u>(227,982)</u>	<u>(157,586)</u>
	<u>\$ 7,318,568</u>	<u>\$ 5,227,330</u>

The 2012A Bonds were used to refinance the Organization's existing debt. The 2012B Bonds shall be used for the purpose of financing future capital improvements. The 2012A and 2012B Bonds are secured by a deed of trust on the Organization's property, improvements and equipment.

The aggregate amounts of principal maturities of debt outstanding as of June 30, 2015, for the five subsequent years and thereafter are as follows:

2016	\$ 227,982
2017	252,800
2018	260,544
2019	268,526
2020	276,221
Thereafter	<u>6,260,477</u>
	<u>\$ 7,546,550</u>

Interest expense totaled \$189,355 and \$172,766 in 2015 and 2014, respectively.

## Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

### 11. Operating Lease Revenue

The Organization entered into a lease agreement for a portion of the medical office building which is accounted for as an operating lease, commencing in June 2012. The lease is for an initial ten year term, with 3 consecutive options to extend the term of the lease at terms as stated in the lease. The initial base rent is with a base rent of \$126,720 per year, payable monthly, subject to annual increases based on the Consumer Price Index, not to exceed 2.5%. Rental income was \$131,776 and \$129,202 in 2015 and 2014, respectively.

### 12. Retirement Plan

The Organization provides retirement benefits for substantially all hourly and salaried employees under a 403(b) salary deferral retirement plan. Retirement expense totaled \$58,054 and \$60,542 for the years ended June 30, 2015 and 2014.

### 13. Statement of Functional Expenses

The Organization provides various services to its residents. Expenses related to providing these services consist of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Program	\$ 14,657,885	\$ 14,580,390
Management and general	3,421,633	2,610,737
	<u>\$ 18,079,518</u>	<u>\$ 17,191,127</u>

### 14. Self Insurance and Group Risk-Sharing Insurance Programs

The Organization acquired stock in Aegis Healthcare Risk Retention Group, Inc. ("Aegis") by issuing a letter of credit with a bank for \$210,000 and \$76,000 as of June 30, 2015 and 2014, respectively. Aegis was created for the purpose of spreading professional liability and umbrella insurance risk among qualified stockholders which operate long-term care facilities. Aegis self-insures all claims up to \$1,000,000 and reinsures claims in excess of that amount up to \$4,000,000. The Organization records this investment at cost which is \$-0- since a letter of credit was issued for its stock. Management believes no incidents have occurred or will be asserted that will exceed the Organization's insurance coverage or will have a material adverse effect on the consolidated financial statements.

## **Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services**

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

The Organization has elected to maintain a self-funded unemployment compensation plan as a reimbursable employer as defined by the Department of Labor, Licensing and Regulation of the State of Maryland (the "Department"), whereby it will pay qualified claims directly to the Department in lieu of submitting quarterly unemployment taxes. In order to be eligible for self-funding, the Department requires that funds be held as collateral in the event that the Organization would fail to pay its claims. As of June 30, 2015 and June 30, 2014, the Department required collateral in the form of a letter of credit through PNC Bank, N.A. in the amount of \$133,870 and \$126,973, respectively. Unemployment expense for the years ended June 30, 2015 and 2014 was \$75,495 and \$25,865, respectively.

### **15. Management Agreement**

The Organization has an agreement with St. Mary's Nursing Center, Inc. ("SMNC") to provide financial oversight of SMNC's accounting office. The agreement is for a period of one year with automatic renewals unless either party terminated the agreement with 60 days notice. The fee for this service was \$52,800 and \$50,000 for the years ended June 30, 2015 and 2014, respectively, which primarily represents SMNC's share of the compensation costs of the Organization's management staff for each year.

### **16. Risk**

Financial instruments which subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, investments in money market accounts and certificates of deposit, and accounts receivable.

The Organization typically maintains cash and cash equivalents in local banks, which, at times may exceed Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts as these excesses are collateralized by a U.S. government security that is pledged for this account to mitigate this risk.

The Organization grants credit to its residents and other third-party payors, primarily Medicare, Medicaid, and various commercial insurance companies. The Organization maintains reserves for potential credit losses and such losses have historically been within management's expectations.

### **17. Contingencies**

The healthcare industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. The Organization is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter, if any, are not presently determinable.

## **Family of Care Alliance, Inc. and Affiliates d/b/a Sagepoint Senior Living Services**

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Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

During the year ended June 30, 1990, a State grant was awarded to the Organization, to assist in the cost of designing, constructing, and equipping the adult day care building. During the year ended, June 30, 1996, another State grant was awarded to the Organization to assist in the cost of constructing an addition to the existing adult care building. The grant agreements stipulate that if, within thirty years after completion of the construction, the building is sold or transferred to any third party which would not qualify as an applicant to receive State funds, or is not approved as a transferee by the Board of Public Works, then the State will be entitled to recover from the Organization or the transferee, an amount determined by a formula stipulated in the grant agreements. This stipulation also applies if the Organization ceases to be a licensed company as defined by Maryland law.

### **18. Subsequent Events**

During September 2015, the Organization purchased a Home Care Assistance business for \$500,000 with a cash payment of \$333,334 and \$166,666 due in four and a half months subject to certain conditions as described in the agreement of sale.

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Consolidating Balance Sheet  
June 30, 2015

	<u>CCNRC</u>	<u>FOCA</u>	<u>FOCRHC</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 2,238,811	\$ 724,617	\$ 1,276,641	\$ 1,122	\$ -	\$ 4,241,191
Accounts receivable, net	1,917,601	4,925	-	-	-	1,922,526
Due from affiliates	950,437	-	-	-	(950,437)	-
Inventory	118,807	-	-	-	-	118,807
Prepaid expenses	182,574	4,702	-	625	-	187,901
Total current assets	5,408,230	734,244	1,276,641	1,747	(950,437)	6,470,425
<b>Assets Whose Use is Limited</b>	-	-	1,056,242	-	-	1,056,242
<b>Investments</b>	1,286,362	2,046,185	-	-	-	3,332,547
<b>Property and Equipment, Net</b>	1,766,846	-	16,937,432	-	-	18,704,278
<b>Deferred Costs, Net</b>	-	-	171,032	-	-	171,032
Total assets	<u>\$ 8,461,438</u>	<u>\$ 2,780,429</u>	<u>\$ 19,441,347</u>	<u>\$ 1,747</u>	<u>\$ (950,437)</u>	<u>\$ 29,734,524</u>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued expenses	\$ 740,942	\$ -	\$ 27,259	\$ -	\$ -	\$ 768,201
Accrued payroll and related expenses	690,505	255,431	-	-	-	945,936
Due to affiliates	-	35,850	913,962	625	(950,437)	-
Deferred revenue	551,610	-	10,981	-	-	562,591
Due to third-party payors, net	122,373	-	-	-	-	122,373
Working capital loan	121,341	-	-	-	-	121,341
Line of credit	582,000	-	-	-	-	582,000
Current maturities of long-term debt	-	-	227,982	-	-	227,982
Total current liabilities	2,808,771	291,281	1,180,184	625	(950,437)	3,330,424
<b>Long-Term Debt, Net</b>	-	-	7,318,568	-	-	7,318,568
Total liabilities	2,808,771	291,281	8,498,752	625	(950,437)	10,648,992
<b>Net Assets</b>						
Unrestricted	5,652,667	2,489,148	10,942,595	1,122	-	19,085,532
Total liabilities and net assets	<u>\$ 8,461,438</u>	<u>\$ 2,780,429</u>	<u>\$ 19,441,347</u>	<u>\$ 1,747</u>	<u>\$ (950,437)</u>	<u>\$ 29,734,524</u>

**Family of Care Alliance, Inc. and Affiliates  
d/b/a Sagepoint Senior Living Services**

Consolidating Statement of Operations and Changes in Net Assets  
Year Ended June 30, 2015

	<u>CCNRC</u>	<u>FOCA</u>	<u>FOCRHC</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenues, Gains, and Other Support</b>						
Nursing care	\$ 15,017,554	\$ -	\$ -	\$ -	\$ -	\$ 15,017,554
Adult day care	1,114,936	-	-	-	-	1,114,936
Assisted living	2,313,692	-	-	-	-	2,313,692
Management fees	-	1,693,625	-	-	(1,640,825)	52,800
Contributions	84,039	-	-	-	-	84,039
Investment income	32,730	9,727	81	-	-	42,538
Rent	-	-	1,180,720	-	(1,048,944)	131,776
Other revenue	5,615	-	-	-	-	5,615
	<u>18,568,566</u>	<u>1,703,352</u>	<u>1,180,801</u>	<u>-</u>	<u>(2,689,769)</u>	<u>18,762,950</u>
<b>Expenses</b>						
Personnel costs	10,022,538	1,318,029	-	-	-	11,340,567
Purchased services	4,189,559	639,405	171,041	-	(1,640,825)	3,359,180
Supplies	2,045,278	515	-	-	-	2,045,793
Repairs and maintenance	272,172	-	-	-	-	272,172
Rent	1,048,944	-	-	-	(1,048,944)	-
Interest	19,570	-	169,785	-	-	189,355
Depreciation and amortization	318,878	-	521,940	-	-	840,818
Bad debt expense	31,633	-	-	-	-	31,633
	<u>17,948,572</u>	<u>1,957,949</u>	<u>862,766</u>	<u>-</u>	<u>(2,689,769)</u>	<u>18,079,518</u>
Operating income (loss)	619,994	(254,597)	318,035	-	-	683,432
Net asset transfers	(473,795)	250,000	223,795	-	-	-
Increase (decrease) in unrestricted net assets	146,199	(4,597)	541,830	-	-	683,432
<b>Net Assets, Beginning</b>	<u>5,506,468</u>	<u>2,493,745</u>	<u>10,400,765</u>	<u>1,122</u>	<u>-</u>	<u>18,402,100</u>
<b>Net Assets, Ending</b>	<u>\$ 5,652,667</u>	<u>\$ 2,489,148</u>	<u>\$ 10,942,595</u>	<u>\$ 1,122</u>	<u>\$ -</u>	<u>\$ 19,085,532</u>

**SAGEPOINT SENIOR**

**LIVING SERVICES**

**AND AFFILIATES**

**OPERATING BUDGET**

**FY 2016**

## Table of Contents

	<u>Page</u>
Notes	1
Major Assumptions	2
Comparison Summary	3
Statement of Revenue and Expenses - Sagepoint Senior Living Services	4
Sagepoint Care - Business Unit Statements	5
Statistic Analysis	6
Rates	7
Capital Budget	8
Forecast - Balance Sheet	9
Forecast - Cash Flow	10

# NOTES

**Sagepoint Senior Living Services and Affiliates  
Management Discussion And Analysis  
FY 2016 Operating Budget**

**Major Assumptions**

**Sagepoint Care**

- Rehab Construction will result in the loss of 8 beds on Unit 300  
Overall available beds reduced to 157  
Net lost days = 2,928
- Facility Occupancy will be 94.7% , Average Daily Census of 148.8
- Rehab Average Daily Census of 18.9
- Medicare days on Nursing Units = 1,534 4.2 ADC
- Medicaid rate decrease = 1.0%
- Nursing Center Private Pay increase of \$10 / day
- M/C RUG reimbursement average of \$374 / day LTC, Jul - Sep
- M/C RUG reimbursement average of \$540 / day Rehab, Jul - Sep
- M/C RUG reimbursement average of \$378.68 / day LTC, Oct - Jun
- M/C RUG reimbursement average of \$546.75 / day Rehab, Oct - Jun
- No reimbursement for Bedhold Days
- No increase for General and Professional Liability Insurance
- No increase for Workers' Comp Insurance
- Health Insurance cost increase of 12%

**Sagepoint Gardens**

- Facility Occupancy will be 94%
- Average rate increase = 2%
- 6 community fees collected - \$18k
- 6 application fees - \$3k
- Health Insurance cost increase of 12%
- No increase for General and Professional Liability Insurance

**Sagepoint Memory Care**

- Facility Occupancy will be 83%
- Average rate increase = 2%
- 4 community fees collected - \$12k
- 4 application fees - \$2k
- Health Insurance cost increase of 12%

**Additional Items**

- No increase in provider tax
- Private Pay ADS rates unchanged
- 1.25% decrease in Medicaid ADS rates effective Jul '15

**Sagepoint Senior Living Services**

- Management Fee increase = 0.76%
- Foundation Director position added 1/1/16
- Foundation Management Fee commences 1/1/16

**Real Estate Holdings**

- Rent increase = 0.76%
- Rehab Wing construction commences 7/1/15
- Phase 1 completed 4/1/16 - cost = \$1.5M
- Phase 2 construction commences 4/1/16
- \$1M tax-exempt financing at 2.98%
- Balance funded with conventional construction financing at 5%
- The Village construction commences 4/1/16
- Funded with conventional construction financing at 5%

**Sagepoint Care (formerly CCNRC)  
Comparison Summary  
FY 2016 Operating Budget**

<b>Statistics</b>	<b>Budget FY 2015</b>	<b>Budget FY 2016</b>
<u>Facility</u>		
Annual	57,213	54,443
Available Beds	165	157
Average Daily Census	156.7	148.8
 <u>Rehab</u>		
Annual	6,807	6,918
Average Daily Census	18.6	18.9
 <u>Adult Day Service</u>		
Annual LaPlata	13,800	13,800
 <u>Abbey Manor</u>		
Annual	11,096	10,980
 <u>Homeplace</u>		
Annual	4,161	3,660
 <b>Revenue</b>		
Semi Private -	240.00	250.00
Private -	250.00	260.00
<b>Medicaid - Decrease eff. 7/1/15</b>	2.5%	-1.0%
Medicare - LTC thru Sep	396.00	374.00
Medicare - Rehab thru Sep	523.00	540.00
Medicare - LTC effective Oct	392.00	378.68
Medicare - Rehab effective Oct	518.00	546.75
<b>ADS Medicaid - Decrease eff. 1/1/15</b>	2.5%	-1.25%
 <b>Operating Results (in thousands) - Note 1</b>		
Total Net Revenue	18,424	17,902
Total Operating Expenses	16,625	16,845
EBIDA	1,800	1,057
Net Income(Loss)	463	(275)

Note 1 - Budget Operating Results include all lines of business

**Sagepoint Senior Living Services and Affiliates**  
**Statement of Revenue and Expense**

**Budget FY 2016**

	<b>Sagepoint Senior Living Services (formerly FOCA)</b>	<b>Sagepoint Care (formerly CCNRC)</b>	<b>Real Estate Holding</b>	<b>Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
Routine Services	\$ -	\$ 16,648,789	\$ -	\$ -	\$ -	\$ 16,648,789
Ancillary and Other Services	-	3,228,476	-	-	-	3,228,476
Adult Day Care	-	1,104,000	-	-	-	1,104,000
Management Fee Income	1,808,154	-	-	-	(1,753,254)	54,900
Rental Income	-	-	1,190,628	-	(1,056,876)	133,752
<b>Gross Patient Revenue</b>	<b>\$ 1,808,154</b>	<b>\$ 20,981,265</b>	<b>\$ 1,190,628</b>	<b>\$ -</b>	<b>\$ (2,810,130)</b>	<b>\$ 21,169,917</b>
Routine Services	\$ -	\$ 106,529	\$ -	\$ -	\$ -	\$ 106,529
Ancillary and Other Services	-	2,961,172	-	-	-	2,961,172
Charity Care	-	12,000	-	-	-	12,000
<b>Total Allowances</b>	<b>\$ -</b>	<b>\$ 3,079,701</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,079,701</b>
<b>Total Net Revenue</b>	<b>\$ 1,808,154</b>	<b>\$ 17,901,564</b>	<b>\$ 1,190,628</b>	<b>\$ -</b>	<b>\$ (2,810,130)</b>	<b>\$ 18,090,216</b>
Salaries and Wages	\$ 1,156,293	\$ 8,294,596	\$ -	\$ -	\$ -	\$ 9,450,889
Employee Benefits	245,030	1,858,434	-	-	-	2,103,464
Expendable Supplies	5,376	2,082,814	-	-	-	2,088,190
Purchased Services	91,452	4,205,891	168,252	100,000	(1,753,254)	2,812,341
Repairs and Maintenance	-	236,028	-	-	-	236,028
Real Property Taxes	-	94,800	-	-	-	94,800
Provision for Bad Debt	-	72,000	-	-	-	72,000
<b>Total Operating Expenses</b>	<b>\$ 1,498,151</b>	<b>\$ 16,844,563</b>	<b>\$ 168,252</b>	<b>\$ 100,000</b>	<b>\$ (1,753,254)</b>	<b>\$ 16,857,712</b>
<b>Earnings Before Interest, Depreciation Rent and Amortization</b>	<b>\$ 310,003</b>	<b>\$ 1,057,001</b>	<b>\$ 1,022,376</b>	<b>\$ (100,000)</b>	<b>\$ (1,056,876)</b>	<b>\$ 1,232,504</b>
Interest	\$ -	\$ -	\$ 285,797	\$ -	\$ -	\$ 285,797
Depreciation	-	318,396	528,288	-	-	846,684
Rent Expense	-	1,056,876	-	-	(1,056,876)	-
<b>Total Interest and Depreciation</b>	<b>\$ -</b>	<b>\$ 1,375,272</b>	<b>\$ 814,085</b>	<b>\$ -</b>	<b>\$ (1,056,876)</b>	<b>\$ 1,132,481</b>
<b>Earnings From Operations</b>	<b>\$ 310,003</b>	<b>\$ (318,271)</b>	<b>\$ 208,291</b>	<b>\$ (100,000)</b>	<b>\$ -</b>	<b>\$ 100,023</b>
Contributions	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Non-Operating Inc(Exp)	-	43,552	-	-	-	43,552
<b>Net Income(Loss)</b>	<b>\$ 310,003</b>	<b>\$ (264,719)</b>	<b>\$ 208,291</b>	<b>\$ (100,000)</b>	<b>\$ -</b>	<b>\$ 153,575</b>

EBIDAR	\$ 1,232,504
Contributions	10,000
Non-Operating Inc(Exp)	43,552
Debt Service	(540,317)
Change in Patient Receivables	48,703
Capital Budget	(244,772)
<b>Available Cash</b>	<b>\$ 549,670</b>



Sagepoint Care  
Statistic Analysis  
Budget FY 2016

Unit	# Beds	FY14 Actual			9 Months' FY15			FY16 Budget			
		Actual	Percent	ADC	Actual	Percent	ADC	Actual	Percent	Occ %	ADC
Unit 100 - LTC		18,192	31.6%	49.8	13,690	31.5%	50.0	17,864	32.8%	92.1%	48.6
Unit 100 - Medicare/Carefirst		436	0.8%	1.2	585	1.3%	2.1	786	1.4%	4.1%	2.1
	53	<u>18,628</u>	<u>32.4%</u>	<u>51.0</u>	<u>14,275</u>	<u>32.9%</u>	<u>52.1</u>	<u>18,650</u>	<u>34.3%</u>	<u>96.1%</u>	<u>51.0</u>
Unit 200 - LTC		17,700	30.7%	48.5	13,185	30.4%	48.1	17,887	32.9%	94.0%	48.9
Unit 200 - Medicare/Carefirst		620	1.1%	1.7	272	0.6%	1.0	192	0.4%	1.0%	0.5
	52	<u>18,320</u>	<u>31.8%</u>	<u>50.2</u>	<u>13,457</u>	<u>31.0%</u>	<u>49.1</u>	<u>18,079</u>	<u>33.2%</u>	<u>95.0%</u>	<u>49.4</u>
Unit 300 - LTC		13,169	22.9%	36.1	10,073	23.2%	36.8	10,240	18.8%	90.3%	28.0
Unit 300 - Medicare/Carefirst		595	1.0%	1.6	497	1.1%	1.8	556	1.0%	4.9%	1.5
	31	<u>13,764</u>	<u>23.9%</u>	<u>37.7</u>	<u>10,570</u>	<u>24.4%</u>	<u>38.6</u>	<u>10,796</u>	<u>19.8%</u>	<u>95.2%</u>	<u>29.5</u>
Rehabilitation - Other		592	1.0%	1.6	261	0.6%	1.0	302	0.6%	3.9%	0.8
Rehabilitation - Medicare/Carefirst		6,274	10.9%	17.2	4,829	11.1%	17.6	6,616	12.2%	86.1%	18.1
	21	<u>6,866</u>	<u>11.9%</u>	<u>18.8</u>	<u>5,090</u>	<u>11.7%</u>	<u>18.6</u>	<u>6,918</u>	<u>12.7%</u>	<u>90.0%</u>	<u>18.9</u>
<b>Total</b>	<b>157</b>	<b><u>57,578</u></b>	<b><u>100.0%</u></b>	<b><u>157.7</u></b>	<b><u>43,392</u></b>	<b><u>100.0%</u></b>	<b><u>158.4</u></b>	<b><u>54,443</u></b>	<b><u>100.0%</u></b>	<b><u>94.7%</u></b>	<b><u>148.8</u></b>

Payor Source	Actual	Percent	ADC	Actual	Percent	ADC	Actual	Percent	ADC
<b>Rehab</b>									
Medicare A	7,925	13.8%	21.7	5,954	13.7%	21.7	7,787	14.3%	21.3
Carefirst	367	0.6%	1.0	229	0.5%	0.8	363	0.7%	1.0
Subtotal Rehab	<u>8,292</u>	<u>14.4%</u>	<u>22.7</u>	<u>6,183</u>	<u>14.2%</u>	<u>22.6</u>	<u>8,150</u>	<u>15.0%</u>	<u>22.3</u>
<b>LTC</b>									
Medicaid	41,101	71.4%	112.6	31,224	72.0%	114.0	38,242	70.2%	104.5
Private Pay	7,531	13.1%	20.6	5,524	12.7%	20.2	7,455	13.7%	20.4
	<u>48,632</u>	<u>84.5%</u>	<u>133.2</u>	<u>36,748</u>	<u>84.7%</u>	<u>134.1</u>	<u>45,697</u>	<u>83.9%</u>	<u>124.9</u>
Bedhold	590	1.0%	1.6	461	1.1%	1.7	596	1.1%	1.6
Hospice	64	0.1%	0.2	-	0.0%	-	-	0.0%	-
Subtotal LTC	<u>49,286</u>	<u>85.6%</u>	<u>135.0</u>	<u>37,209</u>	<u>85.8%</u>	<u>135.8</u>	<u>46,293</u>	<u>85.0%</u>	<u>126.5</u>
<b>Total</b>	<b><u>57,578</u></b>	<b><u>100.0%</u></b>	<b><u>157.7</u></b>	<b><u>43,392</u></b>	<b><u>100.0%</u></b>	<b><u>158.4</u></b>	<b><u>54,443</u></b>	<b><u>100.0%</u></b>	<b><u>148.8</u></b>
Patient Days **	57,578			43,392			54,443		
Available Patient Days	60,225			45,375			57,462		
Occupancy Percentage	95.6%			95.6%			94.7%		

\*\* Includes Bed Hold or Leave Days

<b>Adult Day Services</b>									
Private/Other	827	6.1%		663	6.7%		1,380	10.0%	
Medicaid	12,693	93.9%		9,161	93.3%		12,420	90.0%	
Total	<u>13,520</u>	<u>100.0%</u>		<u>9,824</u>	<u>100.0%</u>		<u>13,800</u>	<u>100.0%</u>	
<b>Assisted Living</b>									
<b>Sagepoint Gardens</b>									
Level 1	6,040	53.5%		4,322	53.8%		6,294	57.3%	
Level 2	4,386	38.8%		3,684	45.8%		4,607	42.0%	
Level 3	864	7.7%		33	0.4%		79	0.7%	
Total	<u>11,290</u>	<u>100.0%</u>		<u>8,039</u>	<u>100.0%</u>		<u>10,980</u>	<u>100.0%</u>	
Occupancy Percentage	<u>96.7%</u>			<u>103.4%</u>			<u>94.0%</u>		
<b>Sagepoint Memory Care</b>	1,275	100.0%		2,916	100.0%		3,660	100.0%	

**Sagepoint Care  
Rates  
Budget FY 2016**

	<b>FY 15 Reimburse Rate</b>	<b>CCNRC Rate</b>	<b>Allowance</b>	<b>FY 16 Reimburse Rate</b>	
<b><u>Nursing Home</u></b>					
Private	250.00	260.00	-	260.00	\$10 / day increase
Semi Private	240.00	250.00	-	250.00	\$10 / day increase
Medicare A - LTC (1)	396.00	250.00	124.00	374.00	PPD Oct 14 - Mar 15 = \$374
Medicare A - Rehab (1)	523.00	350.00	190.00	540.00	PPD Oct 14 - Mar 15 = \$540
Medicare A - LTC (2)	392.00	250.00	128.68	378.68	1.25% increase 10/1/15
Medicare A - Rehab (2)	518.00	350.00	196.75	546.75	1.25% increase 10/1/15
Medicaid	244.77	250.00	(7.68)	242.32	1.0% reduction
Other	446.00	340.00	106.00	446.00	No increase
Provider Tax	22.94			24.03	
<b><u>Adult Day Services</u></b>					
Medicaid	74.50	75.00	(1.42)	73.58	1.25% reduction 7/1/15
Private	75.00	75.00		75.00	No increase
Food Program	5.00	5.00		5.00	No increase
<b><u>Assisted Living</u></b>					
The Gardens	152.00			155.04	
Memory Care	165.23			168.53	
Private Increase				4.0%	
Semi Private Increase				4.2%	
Medicare Increase - LTC (1)				0.0%	
Medicare Increase - Rehab (1)				0.0%	
Medicare Increase - LTC (2)				1.25%	
Medicare Increase - Rehab (2)				1.25%	
Medicaid Decrease 7/1/15				-1.0%	
ADS Medicaid Decrease 7/1/15				-1.25%	
The Gardens Increase				2.0%	
Memory Care Increase				2.0%	

CHARLES COUNTY NURSING AND REHABILITATION CENTER, INC.  
 Capital Budget Requests  
 Fiscal Year 2016

Priority	Description	Dept.	Replace or		Amount	Comments
			New	Quant.		
2	Rocking wheelchairs	Nursing	N & R	8	16,000	Quality seating for residents
3	Wheelchairs (HD, bariatric or highback)	Nursing	N & R	10	10,000	Quality seating for residents
5	Specialty wheelchairs or power chairs	Nursing	N & R	4	16,000	Quality seating for residents
4	Mechanical lifts (mobile)	Nursing	R	3	15,000	Aging lifts
8	Oxygen concentrators	Nursing	N & R	10	6,000	
10	Portable oxygen carry-on type	Nursing	N	1	2,500	For transport-safer & longer-lasting
9	Wheelchair scale	Nursing	R	2	1,000	
7	Laptops, tablets, kiosks	Nursing	N	5	6,500	Various - EHR, visitors, etc.
	Repair ponding water - front loop	Maintenance	R	1	5,000	Standing water
	Stackable washer/dryer	Laundry	R	1	1,400	Old one not working
	Push blade	Maintenance	R	1	1,800	Need for snow
	Washer	Laundry	R	1	5,500	Worn out
	Dryer	Laundry	R	1	5,500	Worn out
	Privacy curtains & rails	Global	R	1	18,000	Worn out
	Patio between Rehab and the Dining Room	Global	N	1	70,000	Enhanced resident experience
	It's Never 2 Late	Activities	N	2	10,000	Enhanced resident experience
1	20% Match for 5310 Grant	Adult Day	N		10,457	20% match on van grant
2	Hoyer Lift	Adult Day	N	1	4,500	Safe handling of participants and prevent staff injury
1	Manual Hoyerlift (123)	SG	N	1	700	Need one for each house
2	Evacuation Chair (MC)	MC	N	1	1,500	For evacuation
4	Dining room tables (123)	SG	R	4	1,600	Tables are old and have stability issues
5	Flooring for 6 rooms (121)	SG	R	6	7,800	Carpet to wood flooring
3	Dining room chairs (121)	SG	R	16	5,600	Chairs have stability issues
	Computer Replacement	IT	R	7	10,690	Replace per replacement cycle
	Server	IT	R	1	10,100	Replace LPTerm02
	Network Equipment - Gardens & Memory Care	IT	R	1	950	Outgrown
	Software	IT	R	1	675	MS Office Pro & Standard
					<u>244,772</u>	

**Sagepoint Senior Living Services and Affiliates**  
**Forecast - Balance Sheet (\$000)**  
**June 30, 2016**

	<u>Jun-16</u>	<u>Apr-15</u>	<u>Jun-14</u>
Cash and Cash Equivalents	\$ 5,307	\$ 3,745	\$ 4,454
Net Patient Receivable	1,434	1,334	1,453
Other Current Assets	99	170	224
Total Current Assets	<u>6,840</u>	<u>5,249</u>	<u>6,131</u>
Plant, Property and Equipment, Net	21,655	18,507	17,177
Investments - Long Term	2,680	2,701	3,045
Deferred Financing Costs, Net	173	172	140
Total Assets	<u>\$ 31,348</u>	<u>\$ 26,629</u>	<u>\$ 26,492</u>
Total Current Liabilities	\$ 1,997	\$ 1,846	\$ 2,263
Line of Credit	564	586	600
Note Payable	10,082	5,330	5,227
Total Liabilities	<u>12,643</u>	<u>7,762</u>	<u>8,090</u>
Total Net Assets	<u>18,705</u>	<u>18,867</u>	<u>18,402</u>
Total Liabilities and Net Assets	<u>\$ 31,348</u>	<u>\$ 26,629</u>	<u>\$ 26,492</u>

**Sagepoint Senior Living Services and Affiliates  
Forecast - Cash Flow  
FY16**

<b>Cash Flow From Operating Activities</b>	
Change in Net Assets	\$ 154
Depreciation & Amortization	847
Change in Current Asset Accounts	1,049
Change in Current Liability Accounts	-
Net Cash Provided (Used) By Operating Activities	<u>2,050</u>
<b>Cash Flow From Investing Activities</b>	
Equipment & Improvements	<u>(4,175)</u>
Net Cash Used By Investing Activities	(4,175)
<b>Cash Flow From Financing Activities</b>	
Net Borrowing / (Payments) On Debt	<u>2,675</u>
	2,675
Net Increase / (Decrease) In Cash	550
Cash and Cash Equivalents, Beginning	<u>4,757</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 5,307</u></u>

**AMENDED AND RESTATED  
BYLAWS  
OF  
FAMILY OF CARE ALLIANCE, INC.  
(a Maryland nonstock corporation)**

ARTICLE I  
NAME, LOCATION AND PURPOSE OF CORPORATION

The name of this corporation is Family of Care Alliance, Inc. (hereinafter referred to as the "Corporation"). The principal office of the Corporation is located at 10200 La Plata Road, La Plata, Maryland 20646, or at such other place as may hereinafter be determined by the Board of Directors of the Corporation (the "Board"). The purposes of this Corporation shall be those as set forth in its Articles of Incorporation filed with the Maryland State Department of Assessments and Taxation, as amended from time to time (the "Charter").

ARTICLE II  
MEMBERSHIP

As provided in the Charter of the Corporation, the Corporation shall have no members. Accordingly, pursuant to Section 5-204 of the Corporations and Associations Article of the Maryland Code, as amended, the Directors (as hereinafter defined) shall constitute the members of the Corporation, and, when acting in their capacity as Directors, may exercise the rights and powers of members and shall have the full power and authority to take any action, approve any matter and pass any resolution with respect to the Corporation. A Director shall be a member of the Corporation only for the period during which such person serves as a Director of the Corporation.

ARTICLE III  
BOARD OF DIRECTORS

Section 1. Management of Corporation. The management and control of the business and affairs of the Corporation shall be vested in the Board. All powers of the Corporation may be exercised by or under the authority of the Board. The Board may employ such agents as it deems advisable and shall have the powers necessary for the administration of the affairs of the Corporation and to do all such acts and things as are not prohibited by law, the Charter or these Amended and Restated Bylaws (sometimes referred to herein as these "Bylaws").

Section 2. Number of Directors; Qualifications; Terms; Classes.

(1) The Board shall consist of at least five (5) but not more than fifteen (15) Directors (in addition to any ex-officio Directors identified in these Bylaws). The number of Directors may be increased or decreased at any annual, regular or special meeting of the Board. Notwithstanding the above, the number of Directors shall never be less than the minimum required

by the applicable provisions of the Maryland General Corporation Law. Each Director shall serve for a term of three (3) years and until his or her successor is duly elected and qualifies, unless sooner removed in accordance with Section 6 of this Article.

(2) The Board shall be divided into three Classes, i.e., Class I, Class II, and Class III. Each such Class shall consist, as nearly as possible, of 1/3 of the total number of Directors (excluding ex-officio Directors), and any remaining Director(s) shall be included within such Class as the Board shall designate. The first term of office of each Class of Directors named in the Corporation's Written Consent in Lieu of First and Organization Meeting shall be as follows: the Class I Directors shall expire at the 2013 annual meeting of the Board; the first term of office of the Class II Directors shall expire at the 2014 annual meeting of the Board; and the first term of office of the Class III Directors shall expire at the 2015 annual meeting of the Board. At each succeeding annual meeting of the Board beginning in 2013, successors to the Class of Directors whose term expires at that annual meeting shall be elected for a three (3) year term. If the number of Directors is changed, any increase or decrease shall be apportioned among the Classes so as to maintain the number of Directors in each Class as nearly equal as possible. A Director may serve an unlimited number of terms, but may not serve more than two (2) full three year terms in succession and may not be re-elected as a Director until the next annual meeting of the Board following the end of such Director's second consecutive full term.

Section 3. Quorum; Voting. A quorum for the transaction of business at every meeting of the Board shall consist of at least a majority of all the Directors then serving on the Board. The majority vote of those Directors present at a meeting at which a quorum is present shall be sufficient to pass any measure or resolution of the Board, unless otherwise required by the Maryland General Corporation Law, the Charter or these Bylaws. In the absence of a quorum, a majority of the Directors present at a meeting may adjourn such meeting from time to time without further notice. The Directors present at a meeting that has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough Directors to leave less than a quorum.

Section 4. Action by Consent of the Board. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a unanimous written consent which sets forth the action is signed by each Director then serving on the Board and filed with the minutes of the proceedings of the Board.

Section 5. Vacancies. Vacancies on the Board shall exist in the case of the happening of any of the following events:

- (1) the death or resignation of a Director;
- (2) the removal of any Director in accordance with Section 6 of this Article; or
- (3) the authorized number of Directors is increased.

Section 6. Removal and Declaration of Vacancy. The Board may remove any Director and declare vacant the office of such Director for any reason at any regular or special meeting of the Board. No reduction in the authorized number of Directors shall result in the removal of any Director prior to the expiration of his or her term of office.

Section 7. Filling of Vacancies. Vacancies on the Board shall be filled by a majority of the remaining Directors, or by a sole remaining Director, in the sole discretion of such Director or Directors. Each Director filling a vacancy shall hold office until the next annual meeting of the Board and until his or her successor is duly elected and qualifies, unless sooner removed in accordance with Section 6 of this Article. If the Directors accept the resignation of a Director tendered to take effect at a future time, the Directors may elect a successor to take office when the resignation becomes effective.

Section 8. Annual Meetings. The Board shall hold an annual meeting to elect Directors and officers and to transact any other business within its powers in the month of October in each year. The date, time and place of the annual meeting of the Board shall be set by the Chair or the President. The Secretary shall send notice of the date, time and place of each annual meeting of the Board to each Director no less than ten (10) nor more than ninety (90) days prior to the date set for each such meeting by personal delivery, mail or other written form of communication. Except as the Maryland General Corporation Law, the Charter or these Bylaws otherwise provide, any business may be considered at an annual meeting without the purpose of the meeting having been specified in a notice. Failure to hold an annual meeting shall not invalidate the Corporation's existence or affect any otherwise valid corporate acts.

Section 9. Regular Meetings. Between annual meetings, regular meetings of the Board shall be held in February, May, August and November of each year, or in such month or at such other intervals as may be determined appropriate by the Board, but not less frequently than at six (6) month intervals. Failure to hold regular meetings shall not invalidate the Corporation's existence or affect any otherwise valid corporate acts.

(1) All regular meetings of the Board shall be called by the Secretary at the direction of the Chair or the President, or if the Chair and the President are absent or are unable or refuse to act, by any two (2) Directors.

(2) Written notice of the time and place of each regular meeting of the Board shall be delivered personally to each Director, or delivered to each Director by mail or by other form of written communication, at least twenty-four (24) hours before each meeting. It shall be sufficient for purposes of complying with this notification requirement that the minutes of any preceding meeting that make reference to the date of the next regular meeting are forwarded by mail to each Director at least seven (7) days before the meeting. If the current address of a Director is not shown on the records of the Corporation, and is not readily ascertainable, such notice shall be addressed to him or her at the last known address of such Director as carried in the records of the

Corporation. Notice of the time and the place of holding of any adjourned meeting need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

(3) The transaction of any business at a meeting of the Board, however called and noticed and wherever held, shall be valid as though it had been transacted at a meeting duly held after a regular call and notice if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a Waiver of Notice, a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Corporation and made a part of the minutes of the meeting.

Section 10. Special Meetings.

(1) Special meetings of the Board may be called by: (a) the Chair; (b) the President; or (c) any two (2) Directors. A notice shall be given to each Director of the time, place and purpose of each special meeting at least forty-eight (48) hours prior to the convening of such a meeting by personal delivery, telephone, facsimile, mail or other form of written communication. If the current address of a Director is not shown on the records of the Corporation and is not readily ascertainable, notice shall be addressed to him or her at the last known address of such a Director as reflected in the records of the Corporation.

(2) The transaction of any business at a special meeting of the Board that does not satisfy the notice requirements set forth above shall be deemed valid if a quorum is present and if, either before or after the meeting, each of the Directors not present at such meeting signs a written Waiver of Notice, a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Corporation and made a part of the minutes of the meeting.

Section 11. Place of Meetings; Telephone Conference Meetings. Annual, regular and special meetings of the Board may be held at any place within or without the State of Maryland that has been designated, from time to time, by resolution of the Board or by written consent of all of the Directors. In the absence of such designation, meetings shall be held at the principal office of the Corporation. The Directors may conduct any meeting thereof by telephone conference or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes a Director's presence in person at a meeting.

Section 12. Conduct at Meetings. At every meeting of the Board, the Chair, or in the absence of the Chair, a chair chosen by the majority of the Directors present, shall preside over the meeting. The chair of the meeting may appoint any person to act as secretary of the meeting for purposes of taking appropriate minutes of the proceeding.

Section 13. Compensation. A Director may not receive any compensation for his or her services as a Director; provided, however, upon approval by the Board, reimbursement

for reasonable expenses for attendance at any annual, regular, or special meeting of the Board, or any committee thereof, shall be allowed. A Director who serves the Corporation in any other capacity may receive compensation for such other services, pursuant to a resolution of the Board.

#### ARTICLE IV OFFICERS

Section 1. Number and Title. The officers of the Corporation shall be a Chair, a Chair-Elect, an Immediate Past Chair, a President, a Secretary and a Treasurer. The Corporation may also have, in the discretion of the Board, one or more Vice-Presidents, Assistant Secretaries and Assistant Treasurers. A person may hold more than one office in the Corporation, but may not serve concurrently as both President and Vice-President.

Section 2. Election; Term of Office. All officers of the Corporation shall be elected by the Board at its annual meeting. All officers of the Corporation shall be elected for terms of one (1) year or such other term as the Board may designate in its discretion. A person may serve an unlimited number of terms as an officer of the Corporation. Each officer of the Corporation shall hold office until he or she shall resign, be removed or otherwise disqualified to serve, or until his or her successor shall be duly elected and qualifies.

Section 3. Removal and Resignation. Any officer may be removed, with or without cause, by a majority of the Directors at any regular or special meeting of the Board (or, as to any assistant or subordinate officer, by any officer authorized by the Board). Any officer may resign at any time by providing written notice to the Board and any such resignation shall take effect on the date of the receipt of such notice, or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Vacancies. If any officer position becomes vacant by reason of the death, resignation or removal of such officer, the Board shall elect a successor who shall hold such office for the unexpired term and until his or her successor is duly elected and qualifies.

Section 5. Chair. The Chair shall be a Director. The Chair shall preside over the meetings of the Board at which the Chair shall be present. The Chair shall serve as an ex-officio, voting member of all committees of the Board.

Section 6. Chair-Elect. The Chair-Elect shall be a Director. The Chair-Elect shall, at the request of the Chair, or in the Chair's absence or during his or her inability to act, perform the duties and exercise the functions of the Chair, and when so acting shall have the powers and duties of the Chair. The Chair-Elect shall have such other powers and perform such other duties as are from time to time assigned to him or her by the Board or the Chair.

Section 7. Immediate Past Chair. The Immediate Past Chair shall be an advisor to the Board. The Immediate Past Chair shall have such other powers and perform such other duties as are from time to time assigned to him or her by the Board or the Chair.

Section 8. President. The President shall, in general, supervise and control all of the business and affairs of the Corporation, perform all duties incident to the office of the president of a corporation, including, but not limited to, the execution, on behalf of the Corporation, of any contract or agreement approved by the Board and have such other powers and perform such other duties as may be prescribed in these Bylaws or by the Board from time to time. The President shall be an ex-officio, voting Director of the Corporation. Unless the Board shall otherwise determine by resolution, to the extent the Corporation is a stockholder, member, or equity or vote holder of a corporation, limited liability company, or other type of company or organization (collectively, an "Organization"), the President shall represent the Corporation as the stockholder, member, or equity or vote holder of such Organization and shall have the power and duty to vote, or appoint a proxy to vote, on all matters which come before the stockholders, members or equity or vote holders of such Organization.

Section 9. Vice-Presidents. The Vice-President (if one is appointed) shall, at the request of the President, or in the President's absence or during his or her inability to act, perform the duties and exercise the functions of the President, and when so acting shall have the powers and duties of the President. If there be more than one Vice-President, the Board may determine which one or more of the Vice-Presidents shall perform any of such duties or exercise any of such functions, or, if such determination is not made by the Board, the President may make such determination; otherwise any of the Vice-Presidents may perform any of such duties or exercise any of such functions. The Vice-President shall have such other powers and perform such other duties as are from time to time assigned to him or her by the Board or the President.

Section 10. Secretary. The Secretary shall sign, with the President, such documents as are customarily attested to by the secretary of a corporation and shall keep minutes of meetings and forward such notices as may be required pursuant to the provisions of these Bylaws or by the Maryland General Corporation Law. The Secretary shall keep and file the books, reports, statements and such other documents and records as may be required or necessary for the conduct of the Corporation's business. The Secretary shall exhibit at all reasonable times to any Director, upon application, these Bylaws and the minutes of proceedings of the Board and any committees of the Corporation and shall perform such other duties incident to the office of Secretary as may be assigned by the Board or otherwise set forth in these Bylaws.

Section 11. Assistant Secretary. In the absence of, or in the event of a disability of, the Secretary, the Assistant Secretary (if one is appointed) shall perform all the duties of the Secretary together with such other duties as may from time to time be prescribed specifically by the Board.

Section 12. Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and for all records pertaining to the same and shall, at the request of the President or any Director, render an account of all transactions and perform such other duties as may be assigned from time to time by the Board. The Treasurer shall, at least annually, report to the Board on the financial condition of the Corporation.

Section 13. Assistant Treasurer. In the absence of, or in the event of a disability of, the Treasurer, the Assistant Treasurer (if one is appointed) shall perform all the duties of the Treasurer together with such other duties as may from time to time be prescribed specifically by the Board.

Section 14. Compensation. An officer of the Corporation may receive reasonable compensation for his or her services to the Corporation. The amount of any such compensation shall be determined by the Board.

## ARTICLE V COMMITTEES

### Section 1. Board Committees.

a. Standing and Other Committees. There shall be a Finance Committee, an Audit Committee and a Governance Committee, the composition and purpose of which are described herein below. The Board may appoint, from among the Directors, an Executive Committee and such other committees of the Board as it deems appropriate. The Finance Committee, Governance Committee, Audit Committee, Executive Committee (if one is appointed) and any other committee of the Board appointed pursuant to Article V, Section 1 of these Bylaws shall be referred to in the Bylaws as a "committee of the Board" or "Board Committee." All such committees shall be composed of two (2) or more Directors. The Board may delegate to Board Committees any of the powers of the Board, except: (1) any power the Board is prohibited from delegating under the Maryland General Corporation Law; (2) the power to take any action in which the Directors act as Members; or (3) the power to elect or remove Directors or amend these Bylaws.

b. Committee Procedure. The Board shall have the power to prescribe the manner in which proceedings of each Board Committee shall be held. Unless the Board shall otherwise provide, the actions of each Board Committee shall be governed by the following rules of procedure. The majority of the members of a Board Committee shall constitute a quorum for the transaction of business and the vote of a majority of those present at a meeting at which a quorum is present shall be sufficient to pass any measure or resolution of such Committee. The members of the Board Committee present at any meeting, whether or not they constitute a quorum, may appoint a Director to act in the place of an absent member. Any action required or permitted to be taken at a meeting of a Board Committee may be taken without a meeting, if a unanimous written consent which sets forth the action is signed by each member of the Board Committee and filed with the

minutes of the Committee. The members of the Board Committee may conduct any meeting thereof by telephone conference or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes a presence in person at a meeting. In the absence of any prescription by the Board or any applicable provision of these Bylaws, each Board Committee may prescribe the manner in which its proceeding shall be conducted.

c. Executive Committee. The Executive Committee, if appointed, shall have full authority to manage and control the business and affairs of the Corporation between meetings of the Board and shall have the authority and power to act for and on behalf of the Board in all matters, subject only to the limitations contained in Section 1, Article V, of these Bylaws or the Maryland General Corporation Law. Meetings of the Executive Committee shall be held at such intervals as may be determined appropriate by the Board or by the Executive Committee.

d. Finance Committee. The Finance Committee shall consist of the Treasurer, the Chair-Elect and at least two (2) members of the Board appointed by the Chair. The Finance Committee shall monitor the financial condition of the Corporation and recommend for approval by the Board one or more banks for the deposit of the funds of the Corporation. The Finance Committee shall review and make recommendations to the Board concerning the adoption of an annual budget for the Corporation, and shall establish appropriate procedures and internal controls as will ensure that the financial goals and budgetary guidelines of the Corporation are properly followed, that all funds due the corporation are properly paid to and received by the Corporation, and that all just debts and financial obligations of the Corporation are properly paid and discharged. The Finance Committee shall periodically review the financial goals and interests of the Corporation and report its actions to the Board on a monthly basis, unless otherwise directed by the Chair and/or the Board. The Finance Committee shall have such other and further duties and responsibilities as may be assigned to said Committee by the Board and/or the Chair from time to time. The Finance Committee shall, in conjunction with the Chair, Treasurer, and President of the Corporation, cause the financial accounts and records of the Corporation to be reviewed at least annually by a competent and qualified certified public accounting firm to ensure that the same are being maintained according to generally accepted accounting practices, and shall report the results of all such audits to the Board on at least an annual basis. Regular meetings of the Finance Committee shall follow the annual and regular meeting schedule of the Board, provided that the Finance Committee may hold additional meetings at such times as it determines are necessary to carry out its duties and responsibilities.

e. Governance Committee. There shall be a Governance Committee. The Board shall appoint at least three (3) but not more than five (5) members of the Board to serve as the members of the Governance Committee. The duties and responsibilities of the Governance Committee shall be to: (i) assist the Board in assessing its effectiveness and the overall governance of the Corporation; (ii) recommend improvements to the Corporation's governance documents, policies and procedures as appropriate; (iii) nominate individuals for the Corporation's officer and Director positions; and (iv) from time to time, nominate individuals to serve as Non-director

Members of certain Board Committees (as specified in subsection g below of this Section 1). The Governance Committee shall report regularly to the Board and recommend such actions as may be necessary or appropriate, and shall have such other and further duties and responsibilities as may from time to time be assigned by the Chair and/or the Board. The Governance Committee shall meet at least sixty (60) and not more than ninety (90) days prior to the annual meeting of the Board to carry out its nomination duties, and meet as otherwise necessary to carry out its duties and responsibilities.

f. Audit Committee. The Audit Committee shall consist of three (3) Directors appointed by the Board, each of which shall be an independent Director with regard to the Corporation, and at least one of which shall be a person with financial expertise. The Audit Committee shall meet at least twice annually, and it shall assist the Board in fulfilling its financial and regulatory responsibilities, including annual reporting; systems of internal control; internal and external audit processes; and compliance with legal and regulatory requirements. In addition, the Audit Committee shall (i) recommend to the Board one or more independent, external auditors to be engaged by the Corporation; (ii) review the audited financial statements and the accompanying notes as well as any opinion expressed by the independent, external auditors engaged by the Corporation; and (iii) review and approve major accounting and financial reporting policies.

g. Non-director Members Serving on Certain Board Committees. In the discretion of the Board, in addition to the Directors appointed to be members of the Finance Committee and the Governance Committee in accordance with subsections (d) and (e) of this Section 1, the Board may appoint to the Finance Committee or the Governance Committee individuals who (1) reside or work in or around the community in which the Corporation operates) and (2) are not currently serving as Directors (“Non-director Members”); provided however, that any such appointment shall be subject to the appointed individual’s acknowledgement and agreement that she/he serves in a fiduciary capacity and agrees in writing to be bound by the policies and procedures as are required or determined by the Board from time to time (such as, for example, policies, procedures or agreements relating to conflicts of interest, confidentiality and non-disclosure of information). A Non-director Member serving on a Board Committee shall be invited to attend regular meetings of the Committee and may participate in the Committee’s decision making process on a matter or item before the Committee if the ultimate decision or outcome constitutes only advice or a recommendation to the Board. A Non-director Member shall not, however, have any vote on or with regard to any matter, item or decision relating to any power or authority (whether delegated by the Board or pursuant to these Bylaws) to act for, or which would bind, the Corporation or the Board.

The term of service of a Non-director Member shall be in the discretion of the Board. In addition, the Board may remove or replace a Non-director Member at any time and for any reason, or no reason, in the Board’s sole and absolute discretion.

Section 2. Advisory and Other Committees. The Board may appoint, from time to time, such advisory and other committees or subcommittees (an "Advisory Committee"), and their chairs, composed of two (2) or more individuals. The Board may appoint persons who are not Directors or officers of the Corporation to an Advisory Committee. The Board may require of an Advisory Committee such duties as the Board deems necessary, appropriate or advisable; however, the Board shall not delegate any of its powers, or any power of the Corporation, to any Advisory Committee formed under this Section 2, and no Advisory Committee shall have the power or authority to act for the Board or bind the Corporation with respect to any act or matter. Each Advisory Committee shall meet as often as required to perform its duties. Unless the Board shall otherwise provide, the actions of an Advisory Committee shall be governed by the following rules of procedure. The majority of the members of an Advisory Committee shall constitute a quorum for the transaction of business and an act of the majority of those present at a meeting at which a quorum is present shall be the act of the Advisory Committee. Any action required or permitted to be taken at a meeting of an Advisory Committee may be taken without a meeting, if a unanimous written consent which sets forth the action is signed by each member of the Advisory Committee and filed with the minutes of the Advisory Committee. The members of an Advisory Committee may conduct any meeting thereof by telephone conference or other similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at a meeting. No action of any Advisory Committee shall have any binding effect on the Corporation or the Board unless affirmatively adopted by the Board.

## ARTICLE VI INDEMNIFICATION

Section 1. General. The Corporation shall indemnify: (1) any individual who is a present or former Director or officer of the Corporation; or (2) any individual who serves or has served in another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a Director or officer, or as a partner or trustee of such partnership or employee benefit plan, at the request of the Corporation and who by reason of service in that capacity was, is or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent permitted under the Maryland General Corporation Law. The Corporation may, with the approval of the Board, provide such indemnification for any employee or agent of the Corporation.

Section 2. Advancement of Expenses. Reasonable expenses incurred by a Director or officer who is, or is threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, may be paid or reimbursed by the Corporation, upon the approval of the Board, for the costs and expenses incurred by such person in connection with such proceeding in advance of the final disposition of the proceeding upon receipt by the Corporation of: (1) a written affirmation by the party seeking indemnification that he or she has a good faith belief that the standard of conduct

necessary for indemnification by the Corporation as authorized herein has been met; and (2) a written undertaking by or on behalf of the party seeking indemnification to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

Section 3. Exclusivity. The rights of indemnification and advancement of expenses provided by the Charter or these Bylaws shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory) or agreement, both as to action in his official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, and such rights shall continue in respect of all events occurring while a person was a Director or officer and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification and advancement of expenses under the Charter or these Bylaws shall be deemed to be a contract between the Corporation and each Director or officer of the Corporation who serves or served in such capacity at any time while this Section 3 is in effect. Nothing herein shall prevent the amendment of this Article VI, Section 3, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before its adoption or as to claims made after its adoption in respect of events occurring before its adoption. Any repeal or modification of this Article VI, Section 3 shall not in any way diminish any rights to indemnification or advancement of expenses of such Director or officer or the obligations of the Corporation arising hereunder with respect to events occurring, or claims made, while this Article VI, Section 3, or any provision hereof, is in force.

Section 4. Insurance. The Corporation shall have the power to purchase insurance on behalf of any person who is or was a Director or officer of the corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise, or as a partner or trustee of such partnership or employee benefit plan at the request of the Corporation, against any liability asserted against such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify the person against such liability under the provisions of Article VI, Section 1 hereof.

Section 5. Misfeasance and Other Exceptions. Anything to the contrary in these Bylaws notwithstanding, no Director or officer shall be indemnified against any liability to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

## ARTICLE VII CONFLICTS OF INTEREST

Section 1. Full Disclosure. Any Director, officer, key employee or committee member having an interest in a contract or other transaction with the Corporation shall disclose such interest to the Board, or a proper committee thereof, for consideration, authorization, approval, or ratification and shall make a prompt, full and frank disclosure of his or her interest

to the Board or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts, known to such person, about the contract or transaction which might reasonably be construed to be adverse or potentially adverse to the Corporation's interests.

Section 2.      Procedure.

(1) The Board, or the proper committee thereof to which such disclosure is made, shall thereupon determine, by majority vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict is deemed to exist, such person shall not vote on, nor use personal influence on, nor participate (other than to present factual information or to respond to questions) in the discussions or deliberations with respect to, such contract or transaction. Such person may be counted in determining the existence of a quorum at any meeting where the contract or transaction is under discussion or is being voted upon. The minutes of the meeting shall reflect the disclosure made, the vote thereon and, where applicable, the abstention from voting and participation, and that a quorum was present.

(2) The Board may adopt conflict of interest policies requiring:

(a) regular annual statements from Directors, officers and key employees that disclose existing and potential conflicts of interest; and

(b) corrective and disciplinary actions with respect to transgressions of such policies.

For purposes of this Article VII, a person shall be deemed to have an "interest" in a contract or other transaction if the person is the party (or one of the parties) contracting or dealing with the Corporation, or is a director, trustee or officer of, or has a significant financial or influential interest in, the entity contracting or dealing with the Corporation other than corporations, partnerships, joint ventures, or other entities owned, controlled, or managed by the Corporation.

ARTICLE VIII  
SUNDRY PROVISIONS

Section 1.      Fiscal Year. The fiscal year of the Corporation shall be the twelve calendar months period ending June 30<sup>th</sup> in each year, unless otherwise provided by the Board.

Section 2.      Books and Records. The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its Board and of any committee when exercising any of the powers of the Board. The books and records of the Corporation may be in written form or in any other form which can be converted

within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction.

Section 3. Corporate Seal. If the Corporation is required to place its corporate seal to a document, it is sufficient to meet the requirement of any law, rule or regulation relating to a corporate seal to place the word "Seal" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

Section 4. Mail. Any notice or other document that is required by these Bylaws to be mailed shall be deposited in the United States mails, postage prepaid.

Section 5. Checks and Drafts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by the President of the Corporation, or such other officers of the Corporation as may be designated from time to time by resolution of the Board.

Section 6. Execution of Documents. A person who holds more than one office in the Corporation may not act in more than one capacity to execute, acknowledge, or verify an instrument required by law to be executed, acknowledged, or verified by more than one officer.

Section 7. Trade Names. The Corporation may operate or do business under one or more "trade names" or "doing-business-as" names, as may be determined by the Corporation from time to time. In 2015, the Corporation recorded the following Maryland trade name with the State Department of Assessments and Taxation: Sagepoint Senior Living Services.

ARTICLE IX  
AMENDMENTS

These Bylaws may be amended or repealed, or new Bylaws may be made and adopted, by the Directors at any annual, regular or special meeting of the Board at which a quorum (as defined in Article III hereof) is present, or by the unanimous written consent of all the Directors.

These Amended and Restated Bylaws of Family of Care Alliance, Inc. were approved and adopted by the Board as of May 28, 2015 (and replace, in their entirety, all prior versions of the Corporation's Bylaws).

  
\_\_\_\_\_  
Jon Johnson, Secretary

Dated: May 28, 2015

4832-8019-9714, v. 4

*Amended and Restated Bylaws - 2015*

**Amended and Restated  
Corporate Bylaws  
of  
Charles County Nursing and Rehabilitation Center, Inc.  
(a Maryland nonstock corporation)**

**ARTICLE I – DIRECTORS**

Section 1. Election and Powers

Except as may otherwise be provided by applicable law, the Corporation's Articles of Incorporation, as amended (the "Charter"), or these Amended and Restated Bylaws (sometimes referred to herein as these "Bylaws"), the business, property, and assets of Charles County Nursing and Rehabilitation Center, Inc. (the "Corporation") shall be conducted and managed by a Board of Directors (hereafter: the "Board") which shall consist of at least three (3) but no more than fifteen (15) voting members (the "Directors" or a "Director") elected by the Sole Member (the term "Sole Member" is defined in Article VI of these Bylaws). Prior to the Corporation's filing of an amendment to the Charter in 2015, and the related adoption of these Bylaws, the Board (i.e., the governing body of this Corporation) was referred to as the "Board of Trustees" and a Director was referred to as a "Trustee." As a result of the approval and filing of the above referenced amendment to the Charter and the approval of these Bylaws, and without the need for any further action by the Board, the Corporation or any other party, for all purposes relating to the Corporation going forward the name of the governing body of this Corporation changed to the "Board of Directors" and the title of each voting member of said Board changed to "Director."

All Directors shall serve a term of three years with a maximum of two consecutive terms; an exception to this will be made when a Director is completing the unexpired term. Said appointments shall be staggered or alternated in such a manner with reasonable effort to ensure that no more than three terms expire in any given year. In the event that a Director resigns, retires, or is removed from office prior to the expiration of his or her respective term of office, a replacement shall be selected by the Sole Member to serve out the remaining portion of said former Director's term prior to serving a new term of office. After serving two consecutive terms, a Director is eligible to serve again after one year.

The Sole Member or the Board may from time to time appoint one or more persons to serve as non-voting "Board Advisors," who shall, unless otherwise provided by the Sole Member or the Board, be invited to attend regular meetings at the Board; provided that "Board Advisors" to the Board, shall have no vote on any matter that comes before the Board, shall be subject to all confidentiality and nondisclosure obligations that apply to Directors of the Corporation and shall execute a confidentiality agreement in favor of the Corporation if so requested, and shall be excused from any meeting of the Board that goes into executive session. The term of service of a Board Advisor shall be in the

discretion of the party appointing said Board Advisor (i.e., the Sole Member or the Board, as the case may be). The Board may remove or replace any Board Advisor appointed by the Board at any time and for any reason, or no reason, in the Board's sole and absolute discretion. In addition, the Sole Member may remove or replace any Board Advisor (whether or not appointed by the Sole Member) at any time and for any reason, or no reason, in the Sole Member's sole and absolute discretion.

For unusual or compelling reasons, a Director may request permission to take a leave of absence from the Board, provided that said Director's intention is to return and serve out the remainder of his or her term of office after any such leave of absence has expired. Requests for leave of absence shall be for a period of time not to exceed twelve months, and must be approved by a majority of the Board.

Directors shall not receive any monetary compensation for their services; however, Board members may be reimbursed for such expenses incurred in connection with Board service as may be approved by appropriate Board action or resolution. As unpaid volunteers, no Director or officer of the Corporation (other than the President/CEO, if such person is an employee of the Corporation) shall be covered by any policy of Workers' Compensation insurance maintained by the Corporation. Directors will, however, be covered under any policy of general liability insurance maintained by the Corporation, including but not limited to "directors and officers," "errors and omissions" and other similar coverages contained in any such policy or policies maintained by the Corporation for the benefit of the Corporation, its officers, directors, Directors, employees, or otherwise.

The Board shall be vested with the authority and responsibility for the oversight of the general affairs and business of the Corporation, including but not limited to the oversight and management of the President/CEO of the Corporation. The Board shall review and establish such policies and procedures as will promote the best interests of the Corporation and ensure the provision of quality care and related services to and for the benefit of the clients of all programs sponsored or administered by the Corporation.

## Section 2. Meetings

Regular meetings of the Board shall be held at the Corporation's principal office location, or at such other location as may from time to time be designated by the Chair, on a day and at a time designated by the Board. Regular meetings shall be held six (6) times per year (e.g. bi-monthly), allowing for special circumstances, unless otherwise stipulated and agreed to by a majority of the Board. Special meetings of the Board shall be held at the Corporation's principal office location, or at such other location as may be designated by the Chair or the Secretary-Treasurer when called by the Chair, a majority of the Directors, or the Executive Committee of the Board. Notice of regular meetings shall be given in writing not later than five days prior to the date set for the meeting. Notice of special meetings shall be given in writing no later than twenty-four hours prior to the date and time set for the meeting. Meetings may be conducted by telephone conference call or other

communications equipment if all persons participating in the meeting can hear each other at the same time.

A majority of the Board shall be necessary and sufficient to constitute a quorum for the transaction of business at any regular or special meeting of the Board; but if at any meeting there be less than a quorum present, a majority of those present may adjourn the meeting from time to time, but not for a period of more than ten days at any one time, without notice other than by announcement at the meeting until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally scheduled.

Any Director who fails to attend three regular meetings of the Board within a one-year period without reasonable cause as determined by the Chair shall be deemed to have resigned from the Board, thus creating a vacancy which shall be filled in accordance with Article I Section 1 of these Bylaws.

### Section 3. Vacancies

The Sole Member may remove any Director and declare vacant that position at any time and for any reason. Vacancies on the Board will be filled as expeditiously as possible by the Sole Member.

### Section 4.

## **ARTICLE II - OFFICERS**

### Section 1. Required Officers

The Corporation shall have the following officers: Chair, Chair-Elect, Immediate Past Chair, President/CEO, and Secretary-Treasurer.

### Section 2. Executive Officers

The executive officers of the Corporation shall be a Chair, Chair-Elect, and Secretary-Treasurer. The executive officers shall be voting members of the Board, and shall be elected annually by the Board at its July meeting.

### Section 3. Other Officers

The Board may designate such other officers as the Board from time to time considers necessary for the proper conduct of the business and affairs of the Corporation.

### Section 4. Election and Terms

Each officer shall hold office for a term of one year, and thereafter until his or her successor is elected and qualified or until his or her death, resignation, or removal.

#### Section 5. Chair

The Chair shall, when present, preside over all meetings of the Board. He or she shall exercise oversight authority over the President/CEO, and shall have all powers ordinarily exercised by the president of a corporation. He or she shall have authority to sign, execute, and deliver, in the name of the Corporation, any and all important documents, contracts, deeds, mortgages, bonds, or other instruments required to be executed on behalf of the Corporation.

He or she shall also be responsible, in conjunction with the Treasurer and President/CEO of the Corporation, for the preparation and review of a full and true statement of the business and financial affairs of the Corporation, which shall be submitted to the Board for their review and approval on an annual basis. Said statement shall be in such form as may be required by any regulatory agencies who may have authority to review and approve the business, billing, and/or other business practices of the nursing home, and the filing of any such statement or report with any such state or federal government agency shall satisfy the reporting requirement set out herein.

#### Section 6. Chair-Elect

In the absence of the Chair, the Chair-Elect shall perform all of the duties of the Chair, and when so acting, shall have all of the powers of the Chair. The Chair-Elect shall (if provided by resolution of the Board) have the authority to sign and execute in the name of the Corporation, any and all important documents, contracts, deeds, mortgages, bonds, or other instruments required to be executed on behalf of the Corporation. In addition, the Chair-Elect shall have such other and further powers and duties as may be assigned to him or her by the Board.

#### Section 7. President/CEO

The duties and responsibilities of the President/CEO are described in Article IV of these Bylaws.

#### Section 8. Secretary-Treasurer

The Secretary-Treasurer shall be responsible for the preparation and maintenance of the minutes of the meetings of the Board and any standing committees. He or she shall ensure that all notices required under the terms of these Bylaws are duly given in accordance with the provisions of the Bylaws or as required by applicable law. The Secretary-Treasurer shall be the custodian of the records of the Corporation and of the corporate seal or seals of the Corporation, and shall attest to the Chair's and the President/CEO's signature on all important corporate documents requiring the signature of the Chair or President/CEO and/or the seal of the Corporation. The Secretary-Treasurer shall further perform all duties ordinarily incident to the office of secretary of a

Corporation, and shall have and exercise such other duties as may from time to time be assigned to him or her by the Board or the Chair.

The Secretary-Treasurer shall have charge of and be responsible for the oversight of the management of all corporate accounts, funds, monies, securities, and investments, and shall report to the Chair and Board upon all matters affecting the finances of the Corporation. The Secretary-Treasurer shall regularly review the Corporation's records concerning billings, receipts, and disbursements, and shall deposit or cause to be deposited in the name of the Corporation all monies or other valuable assets of the Corporation in such banks, trust companies, or other depositories as shall, from time to time, be selected or approved by the Board. The Secretary-Treasurer shall render to the Chair, the President/CEO and to the Board whenever requested a complete accounting of the financial condition of the Corporation and, in general, shall perform all the duties ordinarily incident to the office of treasurer of a corporation, as well as such other duties as may from time to time be assigned to him by the Chair and/or Board. The Secretary-Treasurer shall not be required to give bond in connection with the exercise of the duties and authority assigned to him or her unless otherwise required by the Board or any governing authority having jurisdiction over the affairs and/or business of the Corporation.

#### Section 9. Immediate Past Chair

The Immediate Past Chair shall serve as a member of the Executive Committee and shall provide support for the Chair and Chair-Elect.

#### Section 10. Assistants to Executive Officers

The Board may provide for the hiring or appointment of one or more assistants to the Secretary-Treasurer, or other executive officers as may from time to time be deemed necessary in the Board's opinion and/or at their discretion for the proper performance of the duties of any of the Corporation's officers. Each such assistant may be employed by the Corporation, and shall all serve the executive officer to whom assigned and perform such duties for such periods as the Board, in its sole discretion, may prescribe.

### **ARTICLE III — COMMITTEES**

#### Section 1. Executive Committee

The Executive Committee shall consist of the Chair, Chair-Elect, Immediate Past Chair, and Secretary-Treasurer. In the event that the Immediate Past Chair position is not filled, another voting Director will be appointed by the Committee to fill the open position on the Committee. The Executive Committee shall monitor the administrative, operational, and financial functions of the Corporation and, in particular, the President/CEO of the Corporation, and shall recommend to the Board such action and/or policies as may be appropriate and/or necessary to effectuate the goals and mission of the Corporation. The Executive Committee shall further be responsible for assuring that an annual review and

evaluation of the performance of the President/CEO is conducted. In addition, the Executive Committee shall have the power, in the event of an emergency, to take such action as may be reasonable and/or necessary in order to ensure that the financial stability of the Corporation and/or the health, safety, and/or welfare of the clients and/or staff of the Corporation are assured; provided, however, that any such action taken by the Executive Committee on an emergency basis shall not exceed the general authority of the Board as conferred by law, Articles of Incorporation, or these Bylaws, and shall be approved or ratified by the Board by way of a unanimous written consent, or by a resolution adopted by the Board at any regular or special meeting of the Board held, within ten days thereafter. Three members of the Executive Committee shall constitute a quorum for the purposes of undertaking any such emergency action.

### Section 2. Finance Committee

The Finance Committee shall consist of the Secretary-Treasurer and two voting Directors appointed by the Chair. The Finance Committee shall monitor the financial condition of the Corporation and recommend for approval by the Board such bank or banks as may in the committee's opinion be appropriate for the deposit of the funds of the Corporation. The Finance Committee shall review and make recommendations to the full Board concerning the adoption of an annual budget for the Corporation, and shall establish appropriate procedures and internal controls as will ensure that the financial goals and budgetary guidelines of the Corporation are properly followed, that all funds due the Corporation are properly paid to and received by the Corporation, and that all just debts and financial obligations of the Corporation are properly paid and discharged. The Finance Committee shall periodically review the financial goals and interests of the Corporation and report its actions to the board on a monthly basis, unless otherwise directed by the Chair and/or the Board. The Finance Committee shall have such other and further duties and responsibilities as may be assigned to said committee by the Board and/or the Chair from time to time. The Finance Committee shall, in conjunction with the Chair, Secretary-Treasurer, and President/CEO of the Corporation, cause the financial accounts and records of the Corporation to be reviewed at least annually by a competent and qualified certified public accounting firm to ensure that the same are being maintained according to generally accepted accounting practices, and shall report the results of all such audits to the Board on at least an annual basis.

### Section 3. Quality Improvement Committee

The Chair shall appoint at least two voting members of the Board to serve as a Quality Improvement Committee, whose duty and responsibility it shall be to review performance of the Corporation's programs in order to ensure that reasonable and acceptable standards and quality of care are being maintained and delivered in all programs administered by the Corporation. The Committee shall report regularly to the Board and recommend such action as may be necessary in order to maintain appropriate levels of care and services, and shall have such other and further duties and responsibilities as may from time to time be assigned by the Chair and/or Board.

#### Section 4. Personnel Committee

The Chair shall appoint at least two voting members of the Board to serve as a Personnel Committee, whose duty and responsibility it shall be to review policies and other general matters related to the hiring, firing, compensation, and provision of benefits to employees and professional staff of the Corporation. Said committee shall meet periodically and shall review the personnel policies and procedures of the Corporation and report as may be appropriate to the Board concerning the committee's findings and recommendations. Said committee shall likewise have such other and further duties and responsibilities as may from time to time be assigned by the Chair and/or Board.

#### **ARTICLE IV — PRESIDENT/CEO**

The Board shall engage the services of a competent and properly licensed nursing home administrator to serve as the Corporation's President/CEO and to undertake and execute the duties and responsibilities of the day-to-day management and control of the Corporation. The President/CEO shall have the title and responsibilities of the Chief Executive Officer of the Corporation, and he or she shall have full power and authority over day-to-day execution and management of the business affairs of the Corporation, including but not limited to the management and administration of all programs, services, policies, and personnel of the Corporation so as to ensure the proper care and treatment of, and delivery of services to all clients in compliance with all state, federal, and/or other applicable guidelines and regulations.

He or she shall have authority to sign on behalf of the Corporation such contracts and other important documents as may be authorized by the Board or required by applicable law or administrative regulation in order to facilitate the day-to-day management and execution of the affairs and business of the Corporation. The President/CEO shall report regularly and be accountable to the Board, and shall be responsible, in conjunction with the Chair and Secretary-Treasurer, for the preparation of a full and true statement of the business and financial affairs of the Corporation, which shall be submitted to the Board for review on an annual basis. Said statement shall be in such form as may be required by any regulatory agencies who may have authority to review and approve the business, billing, and/or other business practices of the Corporation and the filing of any such statement or report with any such state or federal government agency shall satisfy the reporting requirement set out herein.

#### **ARTICLE V — MEDICAL DIRECTOR**

The Board shall confirm a physician to serve as Medical Director of the Corporation's nursing and rehabilitation center (the "Center"), and shall cause a contract between the Corporation and the Medical Director to be executed. The Medical Director shall be a physician licensed to practice medicine in the State of Maryland, who shall have sufficient experience and credentials in the practice and discipline of geriatric medicine to provide adequately for the welfare and medical needs of the residents of the Center. The Medical Director shall, in conjunction with the Board and the Medical

Executive Committee established under the Bylaws of the Medical Staff of Charles County Nursing and Rehabilitation Center (or such other trade name or doing-business-as name under which the Corporation is permitted to operate), establish such guidelines and policies for the granting of privileges to other physicians to admit and attend to residents and patients of the Center as will ensure the proper care and treatment of all clients. The Medical Director shall meet periodically with the President/CEO and such other person or persons designated by the President/CEO (e.g. the person serving in the capacity of the Corporation's VP of Clinical Services/ Quality Improvement), and shall recommend such action to the Board as will ensure that quality care and services are being provided at the Center. The Medical Director shall be responsible to the Board in all matters affecting the delivery of medical care and services, so as to ensure that appropriate medical care and services are provided.

## **ARTICLE VI – SOLE MEMBER**

### Section 1. Sole Member

The sole member of the Corporation is Family of Care Alliance, Inc. (which also has recorded and may operate under the Maryland trade name/doing-business-as name "Sagepoint Senior Living Services"), a Maryland nonstock corporation (the "Sole Member").

### Section 2. Place of Meetings

Meetings of the membership shall be held at the principal office or place of business of the Corporation or such other suitable place convenient to the membership as may be designated by the Sole Member.

### Section 3. Annual Meetings

Annual meetings of the membership shall be held each year on such date and at such time as may be determined proper by the Sole Member. At each such meeting, the board of directors of the Sole Member shall elect Directors to fill the positions of those Directors whose terms expire at such meeting and shall also transact such other business of the Corporation as may properly come before the Sole Member.

### Section 4. Special Meetings

It shall be the duty of the President/CEO of the Corporation to call special meetings of the membership as directed by resolution of the Board, or upon petition signed by the Sole Member and presented to the Secretary-Treasurer or the President/CEO of the Corporation.

## Section 5. Notice of Meetings

It shall be the duty of the Secretary-Treasurer to give notice of each annual and special meeting of the membership, stating the time and place where it is to be held, to the Sole Member at least ten but not more than ninety days prior to an annual meeting and at least two days before any special meeting. Notice of a special meeting shall include the purpose thereof. The mailing of a notice in the manner provided in this Section 5 shall be considered due service of notice.

## Section 6. Voting

The vote of the Sole Member at a meeting shall decide any question brought before a meeting of the membership.

## Section 7. Written Consents

Any action required or permitted to be taken at a meeting of the membership may be taken without a meeting if a consent in writing, setting forth such action, is signed by the Sole Member and such consent is filed with the minutes of proceedings of the membership.

## Section 8. Reserved Powers

In addition to any powers or approved rights reserved to the Sole Member under the Maryland General Corporation Law or set forth in the Charter, the following powers of the Corporation shall be reserved to the Sole Member, and shall require the affirmative vote or written consent of the Sole Member:

- (1) approval of any amendment, alteration, repeal or adoption of changes to these Bylaws;
- (2) approval of any amendment, alteration, repeal or adoption of changes to the Charter;
- (3) adoption, approval or appeal of any plan of dissolution, merger, consolidation or sale of substantially all the assets of the Corporation; or
- (4) any material changes in operations, including, without limitation, any change or omission that would result in the loss of or negative impact on any of the Corporation's licenses, permits, certificates of need or the like.

## **ARTICLE VII — INDEMNIFICATION**

### Section 1. General

The Corporation shall indemnify: (1) any individual who is a present or former Director, trustee or officer of the Corporation; or (2) any individual who serves or has served in another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director or officer, or as a partner or director of such partnership or employee benefit plan, at the request of the Corporation and who by reason of service in that capacity

was, is or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent permitted under the Maryland General Corporation Law. The Corporation may, with the approval of the Board, provide such indemnification for any employee or agent of the Corporation.

### Section 2. Advancement of Expenses

Reasonable expenses incurred by a Director, trustee or officer who is, or is threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, may be paid or reimbursed by the Corporation, upon the approval of the Board, for the costs and expenses incurred by such person in connection with such proceeding in advance of the final disposition of the proceeding upon receipt by the Corporation of: (1) a written affirmation by the party seeking indemnification that he or she has a good faith belief that the standard of conduct necessary for indemnification by the Corporation as authorized herein has been met; and (2) a written undertaking by or on behalf of the party seeking indemnification to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

### Section 3. Exclusivity

The rights of indemnification and advancement of expenses provided by the Charter or these Bylaws shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory) or agreement, both as to action in his official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, and such rights shall continue in respect of all events occurring while a person was a Director, trustee or officer and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification and advancement of expenses under the Charter or these Bylaws shall be deemed to be a contract between the Corporation and each Director, trustee or officer of the Corporation who serves or served in such capacity at any time while this Section 3 is in effect. Nothing herein shall prevent the amendment of this Section 3, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before its adoption or as to claims made after its adoption in respect of events occurring before its adoption. Any repeal or modification of this Section 3 shall not in any way diminish any rights to indemnification or advancement of expenses of such Director, trustee or officer or the obligations of the Corporation arising hereunder with respect to events occurring, or claims made, while this Section 3, or any provision hereof, is in force.

## **ARTICLE VIII — MISCELLANEOUS PROVISIONS**

### Section 1. Volunteers

The Board shall provide for and support a program of volunteers who shall supplement the services provided by the professional and other staff of the Corporation.

## Section 2. Strategic Planning

The Board shall meet periodically to review the goals and mission of the Corporation and plan how best to address the business needs of the organization so as to ensure that the Corporation continues to achieve its business goals and mission as envisioned by the Board.

## Section 3. Amendments

These Bylaws may, be altered, amended, or repealed, in whole or part, and new Bylaws may be adopted, only upon approval of the Sole Member.

## Section 4. Corporate Seal

If the Corporation is required to place its corporate seal to a document, it is sufficient to meet the requirement of any law, rule or regulation relating to a corporate seal to place the word "Seal" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

## Section 5. Fiscal Year

The fiscal year of the Corporation shall be from July through June 30<sup>th</sup> each year, unless otherwise provided by the Board.

## Section 6. Trade Names

The Corporation may operate or do business under one or more "trade names" or "doing-business-as" names. In 2015, the Corporation recorded the following Maryland trade names with the State Department of Assessments and Taxation: Sagepoint Nursing and Rehabilitation Center; Sagepoint Care; Sagepoint; Sagepoint Rehabilitation; Sagepoint Long Term Care; Sagepoint Homecare; Sagepoint Gardens; Sagepoint Memory Care; Sagepoint Village; Abbey Manor Assisted Living; Abbey Manor; Sagepoint Adult Day Services; CCNRC Adult Day Care; Charles County Adult Day Care; CCNRC Family of Care; and Charles County Nursing and Rehabilitation Center.

These Amended and Restated Bylaws of Charles County Nursing and Rehabilitation Center, Inc. were approved by the Board, and were approved and adopted by the Sole Member, effective as of May 26, 2015 (and replace in their entirety, all prior versions of the Bylaws of the Corporation).

  
\_\_\_\_\_  
Jon Johnson, Secretary-Treasurer

Dated: May 26, 2015



## **FAMILY OF CARE ALLIANCE, INC.**

### **CONFLICT OF INTEREST POLICY**

The Board of Directors (the "Board") of the Family of Care Alliance, Inc. (the "Organization") acknowledge the importance of adopting a comprehensive policy for identifying and effectively handling potential Conflicts of Interest (defined below) that may arise between the Organization, on the one hand, and Covered Persons (defined below), on the other hand. The adoption of a conflicts of interest policy is not only a prudent action to take generally to protect the interests of the Organization, but is also an important measure to assure that the members of the Board act in accordance with their fiduciary duties under Maryland law, that rules applicable to tax-exempt organizations are not violated, and that members of the Board and officers are not subject to sanctions by the Internal Revenue Service for "excess benefit transactions," i.e. transactions where certain insiders are paid more than fair value for property and/or services, or acquire property and/or services from the Organization for less than fair value.

1. General Policy. All Interested Persons shall exercise good faith in all transactions relating to their duties to the Organization and shall not use their positions in any manner that is contrary to the best interests of the Organization or to promote their own business interests or those of friends or business partners. Moreover, each Covered Person shall (i) promptly and fully disclose all known and potential Conflicts of Interest regarding a Transaction (defined below) to the Board or committee thereof considering such matter, including any relevant facts known to such person regarding a potential Conflict of Interest, (ii) refrain from participating in, or acting on, the decision on any matter in which a Conflict of Interest, or even the appearance of such a Conflict, is present with respect to such Person, and (iii) remove himself or herself from any meeting or deliberations on the matter. Any doubts on the part of any Interested Person as to the existence of, or proper conduct in light of, any perceived Conflict of Interest should be directed to the President of the Organization, as appropriate under the circumstances.

2. Conflicts of Interest Disclosure Statements. Each Covered Person shall submit an initial statement disclosing any potential or existing Conflict of Interest prior to starting his or her position(s) with the Organization. All Covered Persons shall also submit an annual statement disclosing any potential or existing Conflicts of Interest. Such statements shall be submitted to the Board and the President of the Organization. A form of disclosure statement is attached hereto as Exhibit A.

3. Procedure Upon Disclosure of a Potential Conflict of Interest. After a Covered Person discloses a potential Conflict of Interest, the Board or a committee thereof shall review the matter and thereupon determine, by majority vote, whether the disclosure demonstrates that a Conflict of Interest exists or can reasonably be construed to exist. If a Conflict of Interest is known or deemed to exist after disclosure, the Board or the committee reviewing the matter shall not approve any Transaction with a party where a Conflict of Interest is deemed to exist with

such party unless it has determined that (i) entering into such Transaction with the party is in the best interests of the Organization, (ii) the Transaction is fair and reasonable to the Organization, and (iii) a more advantageous Transaction cannot be obtained under the circumstances. Additionally, any action required to avoid imposition of an excise tax under Internal Revenue Code Section 4958 shall be taken by the Board or committee considering such Transaction.

4. Compensation Arrangements. A compensation arrangement between the Organization and a Covered Person in connection with the employment of such person by the Organization shall be deemed a Transaction for purposes of this policy. Such compensation arrangements shall be reasonable, based on competent survey information, and the result of arms-length bargaining. A director or officer of the Board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that person's compensation; provided, however, that such person is permitted to provide information to the Board or any committee regarding compensation. For purposes of this policy, compensation shall include all forms of income from working, including: salary or wages; deferred compensation; retirement benefits, whether in the form of a qualified or non-qualified employee plans; fringe benefits; and bonuses.

5. Record Keeping. The Board or a committee thereof considering a matter in which a known or potential Conflict of Interest is involved shall maintain detailed minutes regarding the matter. Such minutes shall reflect the name of the Covered Person and any disclosure made, the vote on whether a Conflict of Interest is present, the names of the persons participating in any discussions and deliberations with regard to approving or rejecting the Transaction involving the Covered Person and the substance of such discussions and deliberations, adherence with the procedures described in paragraph 3 above, the abstention from voting and participation by the Covered Person, and that a quorum was present.

6. Corrective Action. In the event a Covered Person fails to comply with the letter and spirit of this Policy, the appropriate Board may take corrective action against such Person. In the event that a formal reprimand, or in an extreme case, the removal of such Person from his or her position(s), is proposed, such recommendation must be presented with supporting documentation. The Covered Person involved shall be given an opportunity to be heard prior to the Board's (or a committee thereof) final decision on the matter.

7. Definitions.

a. A "Conflict of Interest" shall exist in the case of any Transaction between the Organization, on the one hand, and a Covered Person or a party with which a Covered Person has a direct or indirect family, social or business relationship or financial interest in such Transaction, on the other hand. For purposes of this Policy, a person shall be deemed to have an "interest" in a Transaction if he or she is a director, trustee, officer, employee or agent of, or has a significant financial interest in, or an influential position with, the entity contracting or dealing with the Organization (other than other affiliates or other entities owned, controlled, or managed by the Organization).

b. A "Covered Person" is any person that is a director, principal officer, member of a Board committee of the Organization or key employee, who has, or may have, a direct or indirect financial interest in a Transaction with the Organization.

c. A "Transaction" shall mean any contract, agreement, transaction or other type of financial arrangement.

**Approval:** The Organization's Board of Directors has approved and adopted the foregoing Conflict of Interest Policy as of April 30, 2012. Each person determined to be a Covered Person shall receive a copy of this policy.

---

Jon Johnson, Secretary

**Date:** \_\_\_\_\_, 2012

**FAMILY OF CARE ALLIANCE, INC.**

**CONFLICT OF INTEREST DISCLOSURE STATEMENT**

The undersigned, being a "Covered Person" (as defined in the Policy referred to below), of Family of Care Alliance, Inc., (the "Organization") understands that, in order to protect and preserve the tax-exempt status of the Organization, to avoid potential sanctions or adverse rulings and to otherwise assess the proper operations of the Organization, the Organization has adopted a Conflict of Interest Policy (the "Policy"). The undersigned acknowledges that he or she has received a copy of the Policy, and has agreed to act in accordance with its standards.

In compliance with the Policy, the undersigned hereby submits Exhibit A attached hereto as the undersigned's annual disclosure statement indicating all of the undersigned's known and potential conflicts of interest.

\_\_\_\_\_

Name:

Position(s):

Dated: \_\_\_\_\_

**EXHIBIT A**  
**DISCLOSURE STATEMENT**  
**FOR**  
**FAMILY OF CARE ALLIANCE, INC.**

**NAME:** \_\_\_\_\_  
**(Please Print)**

**REVIEWED BY:**

INITIAL: \_\_\_\_\_ DATE: \_\_\_\_\_

1. Please state your principal occupation, title (if any), and employer.
  
2. Please list all for-profit organizations, other than that stated in question 1, of which you or a member of your immediate family (spouse, minor child or other dependent), are a director, officer or have a significant financial interest. A "significant financial interest" means a financial interest, either directly or indirectly, in the form of a loan, investment or otherwise which is either more than \$10,000 in market value, book value or face amount, or more than 5% of the ownership, capital or profits interests of a business. A "significant financial interest" does not include investment in a security listed on a security exchange unless you also perform services for such entity issuing the security.
  
3. To the best of your knowledge, do any of the organizations listed in question 1 and 2, or their parents, subsidiaries, sister organizations or affiliates, conduct business transactions with the Organization, or any of its affiliates or subsidiaries, including without limitation, Charles County Nursing and Rehabilitation Center, Inc., Charles County Nursing and Rehabilitation Center Foundation, Inc. and Family of Care Real Estate Holding Company, Inc. (collectively, the "Affiliates")? \_\_\_\_\_

If yes, which ones and in what manner?

4. Please list all non-profit organizations (except for the Organization and its Affiliates), of which you are a trustee or director, officer or employee.

5. To the best of your knowledge, do any organizations listed in response to question 4, or their partners, subsidiaries, sister organizations or affiliates, conduct business transactions with the Organization or any of its Affiliates? \_\_\_\_\_

If so, which ones and in what manner?

6. To the best of your knowledge, are any organizations listed in response to questions 1, 2 and 4, or their partners, subsidiaries, sister organizations or affiliates, considered to be actual or potential competitors of the Organization or any of its Affiliates?  
\_\_\_\_\_

If so, which ones and in what manner?

7. Based on the definition of "Conflict of Interest" set forth in the Policy, please fully describe any interest you have which may either directly or beneficially give rise to a potential Conflict of Interest (attach additional sheets as necessary). Without limiting the foregoing, please describe any relationship you have with another board member, volunteer or employee (including any employee of the management company) by blood, marriage, domestic partnership or business relationship.

\_\_\_\_\_

Name: \_\_\_\_\_

Position(s): \_\_\_\_\_

DATE: \_\_\_\_\_

# Board Orientation Manual

Providing Essential Knowledge and Solutions  
to Achieve Excellence in Healthcare Governance

*Fourth Edition*



A service of  NATIONAL RESEARCH  
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# The Governance Institute



**T**he Governance Institute provides trusted, independent information and resources to board members, healthcare executives, and physician leaders in support of their efforts to lead and govern their organizations.

The Governance Institute is a membership organization serving not-for-profit hospital and health system boards of directors, executives, and physician leadership. Membership services are provided through research and publications, conferences, and advisory services. In addition to its membership services, The Governance Institute conducts research studies, tracks healthcare industry trends, and showcases governance practices of leading healthcare boards across the country.

## Acknowledgements

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# Table of Contents



<b>1</b>	<b>Welcome to the Board!</b>
1	On Leadership
<b>3</b>	<b>What’s Involved in Serving On the Board?</b>
3	Fundamental Fiduciary Duties
4	How Boards Accomplish Work
4	Board Responsibilities
4	Quality Oversight
7	Financial Oversight
10	Setting Strategic Direction/Mission Oversight
11	Board Development
11	Management Oversight
12	Advocacy and Community Benefit
13	Committees: The Workhorses of the Board
16	Keeping on Track: The Distinction between Management and Governance
<b>17</b>	<b>Gaining Perspective to Serve Effectively</b>
17	99 Things to Know about Your Organization
20	Overview of the Healthcare Industry
<b>25</b>	<b>Bon Voyage &amp; Good Luck!</b>
<b>27</b>	<b>Appendix 1: Sample Job Descriptions</b>
27	Freestanding Hospital Board of Directors
28	Health System Board of Directors
30	Hospital Board of Directors within a System
32	Individual Board Member
<b>35</b>	<b>Appendix 2: Sample Board Agenda</b>
<b>37</b>	<b>Appendix 3: Sample Board Calendar</b>
<b>39</b>	<b>Appendix 4: CMS Current List of “Never Events”</b>
<b>41</b>	<b>References</b>
41	The Governance Institute Publications
41	Other Publications



# Welcome to the Board!



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“Never doubt that a small, committed group of individuals can change the world. Indeed, it’s the only thing that ever has.”

—Margaret Mead

As a new board member, you are beginning a period of service that brings with it prestige, credibility, influence, and personal satisfaction. You bring a lot of time, effort, and a sincere desire to improve the health of your community.

You are a volunteer. America’s great tradition of voluntarism supports the idea that people can willingly band together for a common purpose. Thus, outstanding citizens freely devote time and energy serving on boards of hospitals and health systems from which they derive no tangible gain. For the most part, directors serve because of a genuine interest in the quality of healthcare and a sense of service to their community.

The legally-constituted governing board of directors holds the healthcare organization in trust. In order to fulfill this trust, it must be the ultimate source of authority—and it must have overall responsibility—for the institution. In the eyes of the law, directors have a fiduciary obligation that cannot be divested through delegation. Directors are held to a very high standard of conduct. They are charged with safeguarding the assets of the organization, protecting the patient from harm, and not getting any personal gain from their relationship.

The 21st century hospital or health system board is overseeing a much more complex organization than in years previous, and the market dynamics facing healthcare are unprecedented. This makes the job of non-profit directors more important and complex, emphasizing the need for a strong orientation program and ongoing education to remain at the forefront of challenges and issues facing the organization the director serves.

This orientation manual gives you important points about governance. Some of the information may be elementary to you, but overall, the manual offers a comprehensive guide to your responsibilities and roles. It also offers tips you can take with you into the boardroom, and outlines governance trends that may affect you

in the next one to three years of your tenure. Finally, it gives you specific questions you will want to have answered as your organization puts you through its board orientation program.

Many new healthcare directors come from outside the world of healthcare. For this reason, we have also included basic background information on hospital organizational structure and some key dynamics that have influenced and continue to influence the direction of healthcare.

## On Leadership

You have been selected as a board member because you bring a specific set of skills and experience to the healthcare organization’s boardroom. This probably results from your demonstrated abilities to organize and lead others. Leadership in the healthcare boardroom setting has specific attributes. We want you to feel comfortable that, after reading this manual and attending your organization’s board orientation program, you will have added these leadership attributes to your own. For this reason, we present The Governance Institute’s Leadership Criteria, some of which are necessary for board members to possess prior to coming on board; others can be learned during the board member’s first term:

### Knowledge

- Has the knowledge to help the board understand the market and competition
- Is highly informed in financial planning, bond issues, debt, and budgets
- Has “people skills” and understands how to build and develop administrative, board, and physician leadership
- Is fluent in the history and heritage of the institution
- Has an understanding of labor-management challenges
- Develops an understanding of the organization’s services
- Understands the importance of asking, “Does each decision, each action, move us toward our goals?”
- Seeks opportunities for the director education and leadership development
- Is well versed on the needs of the community and stakeholders
- Understands the board’s fiduciary duties and core responsibilities
- Educates himself/herself regarding legal requirements and regulations governing the board’s actions



- Understands the health reform legislation and implications (both financial and care delivery aspects) for the organization
- Is knowledgeable about national quality and safety initiatives
- Understands quality improvement theories and frameworks
- Understands the physician credentialing process and related issues, including medical malpractice and professional liability
- Has a working grasp of health economics and financial matters
- Has an understanding of appropriate governance structure to facilitate board effectiveness
- Is knowledgeable about the current healthcare environment, including systems issues, community health issues, and trends
- Understands public policy matters and legislative and advocacy processes, including the appropriate role of the board in this area
- Understands the consequences of unethical actions
- Understands the difference between the appropriate role of the board versus the role of management and the medical staff in decision making
- Understands the importance of effective measuring and reporting
- Understands how an organization's culture affects its effectiveness

#### **Skills**

- Is a collaborative and communicative leader
- Has credibility among his/her peers and subordinates
- Can think on both macro and micro levels
- Is a strategic and forward-thinking leader
- Has the ability to employ comparative analysis strategies
- Seeks to build consensus among stakeholders, but is still able to make a clear recommendation when needed
- Can develop effective relationships with physicians in support of the mission, vision, and strategic plan
- Can approach problem solving by seeking and using input from a broad range of people
- Is guided by the organization's mission, vision, and values in his/her decision making
- Is able to facilitate and mediate a discussion, appropriately managing group dynamics
- Does not get involved in the daily operations of the hospital/health system

- Is a leader in the community
- Advances the mission of the organization
- Is willing/able to be a mentor to new board members
- Establishes appropriate and timely goals
- Operates with a particular sense of urgency and importance

#### **Attitudes**

- Prepares for, attends, and participates in committees and meetings
- Is a good listener who takes all parties into account
- Is diplomatic
- Is mission-driven and values-based
- Perceives the physicians and executive leaders as partners and not adversaries
- Possesses a flexibility to change when needed
- Possesses a high level of integrity
- Maintains objectivity regarding his or her comments
- Demonstrates composure and resilience in times of crisis
- Offers professional expertise when appropriate
- Asks questions and doesn't feel he/she has to have all the answers
- Places a high premium on building and maintaining good relationships
- Has an inclusive nature
- Is sensitive to cultural differences concerning issues related to communication and behaviors
- Is open to constructive feedback and willing to provide constructive feedback to others

### **12 Tips for Board Members**

1. Know why you're on the board.
2. Be careful but act decisively.
3. Serve others' interests, not your own.
4. Do your homework.
5. Show up and pay attention.
6. Disagree harmoniously.
7. No hand grenades, please!
8. Trust the committees.
9. Practice mouth moderation.
10. Let the full-time people run the show.
11. Take care of the numbers.
12. Demand a good roadmap.

# What's Involved in Serving On the Board?



You need to begin your position as director with a basic set of information. First, you want to be clear about your fundamental duties, roles, and responsibilities as a member of your hospital board.

## Fundamental Fiduciary Duties

Boards have legally mandated fiduciary duties to their organizations. Although the term “fiduciary” has become synonymous with “financial” responsibilities, it actually means that boards have been given a trust to uphold. These duties describe the manner in which board members are required to carry out their roles and responsibilities.

The director’s fundamental duty to manage the corporate enterprise by delegation to full-time managers is referred to as the “duty of oversight.” This duty is central to everything a director does. It obliges directors to exercise reasonable and prudent oversight with respect to corporate officers, agents, and employees to whom such affairs are delegated. To adequately discharge the duty of oversight requires the director to give attention to such matters as:

- The current business and financial performance of the organization
- The principal activities of senior management
- The effectiveness of, and senior management’s commitment to, the corporate compliance plan
- Achievement of the charitable mission of the organization
- The presence of an effective reporting system to the board
- Selection of competent senior management
- Establishing institutional norms and procedures (e.g., compliance programs)
- Reviewing and having input into management-formulated strategy
- Management of institutional investments and access to restricted gifts
- Monitoring the performance of the enterprise and of senior management

The related duties of care, loyalty, and obedience describe the manner in which directors are required to carry out their fundamental duty of oversight of the organization.

**Duty of Care** requires board members to have knowledge of all reasonably available and pertinent information before taking action. The board member must act in good faith, with the care of an ordinarily prudent businessperson in similar circumstances, and in a manner he or she reasonably believes to be in the best interest of the organization.

**Duty of Loyalty** requires board members to candidly discharge their duties in a manner designed to benefit only the corporate enterprise, not the individual interests of the board member. It incorporates the duty to disclose situations that may present a potential for conflict with the corporation’s mission, refrain from discussing confidential board business with others, as well as a duty to avoid competition with the corporation.

**fi•du•cia•ry:** To hold something in trust for another...to assume responsibility or ownership of property to keep, use, or administer for another’s benefit. It encompasses *all* oversight responsibilities of the board, not just financial.

**Duty of Obedience** requires board members to ensure that the organization’s decisions and activities adhere to its fundamental corporate purpose and charitable mission as stated in its articles of incorporation and bylaws.

In healthcare systems with tiered governance structures, there can be both legally constituted governing boards as well as advisory boards. Legally constituted governing boards bear sole and ultimate responsibility for the affairs of an organization. They serve as the *fiduciary* agent of the organization’s owners (whether they are shareholders or stakeholders) and possess legally mandated responsibilities and functions. *Advisory bodies* (alternately called community boards, local boards, and so forth) are non-fiduciary

entities created by the health system for the purpose of providing advice and counsel to the system board, the management of the subsidiary itself, or both.

## How Boards Accomplish Work

The best way for boards to meet and fulfill their responsibilities is to take on three key roles: policy formulation, decision making, and oversight.

### Board roles are the *how* of governance—the things the board needs to do:

- Policy formulation
- Decision making
- Oversight

### Policy Formulation

Boards formulate policy to give the organization direction. Policies are statements of intent that guide and constrain further decision making and action and limit subsequent choices. Policies provide a framework for the decision-making role. Policies influence three key areas:

- **Statements of board responsibility** describe the nature and scope of board obligations.
- **Board policies** provide direction and convey board expectations of management and the medical staff as they go about accomplishing the organization's work.
- **Operating policies** are those responsibilities and authorities the board delegates to the organization's management and medical staff. If boards formulate a lot of operational policies, management and medical staff have less authority over operations. Conversely, fewer board-initiated operational policies result in more authority over operations by management/medical staff. Each board has its own management and governance "culture," and boards typically walk a fine line between their own role and that of their executives.

### Decision Making

This is considered to be the most important role of governance, since much of what boards do eventually comes down to making choices. Decisions are based on policy. A board can choose to retain authority with respect to an issue related to one of its responsibilities, or the board can delegate decision-making authority to management or the medical staff.

### Oversight

This is central to everything boards do. Boards engage in oversight by monitoring decisions and actions to ensure they conform to board policy and the organization's strategic plans and budgets, and produce intended results. Management and the medical staff are accountable to the board for the decisions they make and the actions they undertake. Proper oversight ensures this accountability.

### Board Responsibilities

Hospital and health system boards must assume responsibility for organization oversight in six key areas: quality, finance, setting strategic direction, board self-assessment and development, management performance, and advocacy.

### Responsibilities are the *what* of governance—the things that require the board's attention:

- Quality of care oversight
- Financial oversight
- Setting strategic direction/mission oversight
- Board self-assessment and development
- Management oversight
- Advocacy

### Quality Oversight

"Quality" is the degree to which health services for individuals and populations:

1. Increase the likelihood of desired health outcomes as defined by patients, families, the community at large, physicians, employees, and payers
2. Decrease the likelihood of undesirable outcomes
3. Are consistent with current but constantly changing professional knowledge

Hospitals and health systems across the country are now evaluating their care delivery systems to assess whether they are providing care that enhances the patient experience (i.e., centered on the customer), enhances the overall health of a population, and reduces the per-capita cost of care.<sup>1</sup>

The board's responsibility for quality comes from a variety of sources, including the hospital or health system's mission statement and corporate bylaws, requirements by various accrediting bodies, and legal mandates. The board has a moral and ethical obligation to guarantee that the organization is doing everything

<sup>1</sup> Institute for Healthcare Improvement's Triple Aim. For more information, see [www.ihl.org](http://www.ihl.org).

it can to keep patients safe and provide them with the highest-quality care. It is a legal obligation as well—the landmark court case *Darling v. Charleston Community Memorial Hospital* (1965) placed responsibility for quality care on the hospital board.

Boards have ultimate responsibility for ensuring the quality of patient care. This responsibility is enhanced due to new payment models tying reimbursement to quality outcomes, and boards now must increase their focus and efforts on addressing quality and cost simultaneously. This includes:

- Credentialing (appointing, reappointing, and determining privileges of the medical staff)
- Ensuring that an efficient and effective quality program is in place and operating as charged
- Ensuring that quality and cost are appropriately related and that the organization's culture and strategy support the need for all staff to understand and focus on efforts related to increasing quality, improving the patient experience, and reducing cost

### *Credentialing*

Quality monitoring includes credentialing physicians and granting privileges to practice medicine in the hospital. Credentialing is a process to determine whether a physician is meeting the hospital's high standards of knowledge and clinical skill. Basically, this means deciding which doctors may join the medical staff, which procedures each may perform, and which conditions they may treat.

Credentialing involves several steps and tasks, most of which are delegated from the board to the medical staff, management, and board quality committee. It is a process—and the board is responsible for the process as well as the outcome of the process. The basic steps are as follows:

1. Conduct a pre-application review of a physician's request for hospital privileges, usually done by the medical staff office. When this is successfully completed, the physician begins the formal application process.
2. Assemble and complete the physician "dossier," which includes the application and all supporting documentation, also usually done by the medical staff office.
3. Forward the dossier to the respective clinical department for peer review.
4. Recommendation from the clinical department is forwarded to the medical staff executive committee (or designated medical staff committee).
5. Recommendation from the medical staff is forwarded to the board quality committee (or designated board committee).
6. Credential recommendation is then forwarded to the full board for action.

An important component of credentialing involves the organization's criteria for credentialing. These criteria may differ from organization to organization, or from time to time within the organization. Over the past several years, criteria have actually taken on political overtones in response to market dynamics. Here is an example of how credentialing criteria may be applied:

- **Threshold criteria.** Minimum acceptable standards as either met or not met. For example, (a) not having a valid medical license, (b) not having malpractice insurance, or (c) not being trained to perform a particular procedure.
- **Discriminatory criteria.** The degree of the physician's experience, skill, competence, or outcomes.
- **Policy-related criteria.** Based on board policy designed to achieve organizational goals, such as the use of evidence-based medicine and standardized care protocols.

These may have little or nothing to do with clinical competence. They can be related to economic issues, whether a medical specialty is "closed," even whether the applicant is engaging in other activities deemed by the organization to be directly competitive with its own services or programs.

Credentialing has been and remains a critical board responsibility because the practice of medicine in the organization has the single greatest impact on the quality of care provided.

### *Quality Program*

Quality, utilization, and risk-management systems comprise a quality program that measures clinical outcomes, service outcomes, specific quality problems, and compares the organization's performance with like organizations across the country, as well as the organization's own historical performance.

**Clinical outcomes.** These are also labeled as quality indicators or quality outcome indicators. A quality indicator is a measure of some aspect of quality of care or service that a board deems important enough to track. Some typical quality outcome indicators include:

- CMS "never events" and sentinel events (see Appendix 4 for the current list of CMS "never events")
- Hospital-acquired conditions
- Surgical wound infections
- Inpatient mortality
- Neonatal mortality
- Perioperative mortality
- Cesarean section rate
- Unplanned readmissions to the hospital
- Unplanned transfers to a special care unit
- Unplanned returns to the operating room

Some organizations are taking a population health approach to care delivery to address both health outcomes and costs for at-risk/high-utilization populations. To do this boards also need to look at outcomes data on groups of patients with chronic diseases (e.g., diabetes, obesity, cardiovascular disease), and patient groups that have insufficient access to necessary care.

**Service outcomes.** Length of wait in the emergency room, ease of pre-admit procedures, staff courtesy, etc.

**Specific quality problems.** For example:

- Too much care—excessive use of diagnostic tests or unnecessary surgery
- Too little care—clinical consults not ordered, patients discharged prematurely, mammograms and immunizations do not occur, or treatable conditions like depression go undiagnosed
- Inferior care—patient safety issues, surgical accidents or preventable drug interactions, under-qualified staff

**Benchmarking.** To identify best practices in healthcare and try to meet or exceed them. Beyond determining the organization's performance in relation to similar organizations, the board should monitor the organization's own historical performance on a selected list of quality indicators against agreed upon quality goals that challenge the organization but are realistic. At the very least, some of the quality goals should be based on the "theoretical ideal" (e.g., zero sepsis, zero infections, etc.).

**There are three common types of quality measures:**

- Measures of structure or equipment, supplies, and facilities (e.g., age of plant, number of physicians/population)
- Measures of process, which involve the ways care is delivered (e.g., turnaround time for lab tests)
- Measures of outcome, or the condition of the patient after care is rendered

**Quality Definitions**

Three major healthcare groups have defined quality in ways that are helpful to hospital/health system boards: The Joint Commission (refer to the table below for The Joint Commission's definition of quality), the Institute of Medicine, and the American Medical Association.

The Institute of Medicine defined quality of care in its 2001 landmark report, *Crossing the Quality Chasm*, using the STEEEP acronym:

- **Safe:** the patient's safety comes first.
- **Timely:** care should be delivered in the most timely manner possible.
- **Effective:** care is based on the best scientific knowledge currently available.
- **Efficient:** care is not wasteful of time, money, and resources.
- **Equitable:** care does not vary in quality because of patient characteristics, such as ethnicity, ability to pay, or geographic location.
- **Patient-centered:** care is respectful and responsive to individual preferences, needs, and values.

**The Joint Commission's Definition of Quality**

Dimension	Description
<b>I. Doing the Right Thing</b>	
Efficacy of the procedure or treatment in relation to the patient's condition.	The degree to which the patient's care and services have been shown to accomplish the desired or projected outcome(s).
Appropriateness of a specific test, procedure, or service to meet the patient's needs.	The degree to which the care and services provided are relevant to the patient's clinical needs, given the current state of knowledge.
<b>II. Doing the Right Thing Well</b>	
Availability of a needed test, procedure, treatment, or service to the patient who needs it.	The degree to which appropriate care and services are provided to the patient at the most beneficial or necessary time.
Timeliness with which a needed test, procedure, treatment, or service is provided to the patient.	The degree to which the care and services are provided to the patient at the most beneficial or necessary time.
Effectiveness with which tests, procedures, treatments, and services are provided.	The degree to which the care and services are provided in the correct manner, given the current state of knowledge, to achieve the desired or projected outcome for the patient.
Continuity of patient services with respect to other services, practitioners, and providers over time.	The degree to which the patient's care is coordinated among disciplines, among organizations, and over time.
Safety of the patient and others to whom, and by whom, the services are provided.	The degree to which the risk of an intervention and risk in the care environment are reduced for the patient and others, including the healthcare provider.
Efficiency with which care and services are provided.	The relationship between the outcomes (results of care) and the resources used to deliver patient care and services.
Respect and caring with which care and services are provided.	The degree to which those providing care and services do so with sensitivity and respect for the patient's needs, expectations, and individual differences.

The American Medical Association has characterized quality in eight key components:

1. Produces optimal improvement in the patient's health
2. Emphasizes the promotion of health and the prevention of disease
3. Is provided in a timely manner
4. Seeks to involve the patient in decision making
5. Is scientifically based
6. Is provided with sensitivity and concern for the patient's welfare
7. Makes sufficient use of technology
8. Is sufficiently documented to allow for continuity of care and benefits

It is important for each hospital or health system board to routinely review its own interpretation of quality and have a strong voice in its definition.

### A Special Note

Medical errors and patient safety continue to catch the attention of the media. The Centers for Medicare and Medicaid Services (CMS) has a list of hospital-acquired conditions for which it will no longer provide payment to providers. As a result, more boards are revisiting their definitions of quality, their organizations' mission statements, and their quality programs and processes to determine if they are rigorous enough. In addition, directors, whose leadership very often sets the tone for the organization's culture, are finding ways to create a customer-centered culture of quality and safety throughout the hospital/health system.

### Financial Oversight<sup>2</sup>

The healthcare industry is moving to a value-based business model from a volume-based model that has been in place since the 1960s. As this transition occurs, hospitals and health systems will be faced with critical strategic, operating, and financial challenges. The combined impact of environmental changes, which are expected to accelerate during the next decade, will be significant for all types of providers industry-wide as the nation moves to a population health-management mode of care delivery, and away from a "sickness"/acute-care model. Because the changes are based on economic principles related to the unsustainability of U.S. healthcare costs, it will not be possible for any hospital

board member or executive to ignore the associated challenges. (For a more detailed discussion of health reform, payment reform, and related industry changes introduced here, please see the section entitled National Context for Hospitals and Health Systems on page 22.)

The transition to value/risk-based payment and population health management will not occur overnight and the timing is uncertain. If the organization proceeds too rapidly to provide care under fee-for-value contracts, it may be giving up fee-for-service payments available during the transition, and/or it may not have adequately developed the needed physician alignment and data and analytic capabilities to manage population health and assume risk. If the organization proceeds too slowly in readying itself for and entering into risk contracts, it may find itself in a pay-for-value world without the care and risk management infrastructure required to successfully accept risk.

A hybrid of payment mechanisms is expected to emerge. It is critical for new board members to gain an understanding of both a) how the current, fee-for-service payment system works, and b) how the new payment models will work and affect the current system. The hope is that payment and care delivery models will evolve in unison. One size will not fit all; different populations will require different models. In the near term, hospitals and health systems will need to manage the old and new systems concurrently. Boards and executive teams should be discussing what it will take to move their organizations toward success under the value-based system. How fast the organization wants to move and how much the transition might cost are important considerations. These issues require strategic-financial scenario planning and analyses that include variables such as cost (often including ongoing operating losses) of physician-related strategies and the expected proportion of patients covered under various payment mechanisms. Risk related to decreased performance along quality dimensions, such as readmissions and occurrence of "never events" as specified by the Centers for Medicare & Medicaid Services (CMS), is already affecting the revenue received by some hospitals.

Given this situation, financial oversight of hospitals and health systems by boards and executive teams is more important now than at any point in the experience of most industry leaders. In repositioning the hospital or health system through an integrated planning process, organizational leaders must maintain a single financial perspective. As articulated for the past 30 years, that perspective is as follows: "Financial performance must be sufficient to meet the cash flow requirements of the strategic plan and,

<sup>2</sup> The introductory material for this section was developed based on a special commentary provided by Kenneth Kaufman, "Extraordinary Challenges Ahead for Financial Oversight by Healthcare Boards," in *Dynamic Governance: Board Structure and Practices in a Shifting Industry*, 2011 Biennial Survey of Hospitals and Healthcare Systems, The Governance Institute.

at the same time, maintain or improve the financial integrity of the organization.<sup>3</sup>

Boards must track trends and issues with financial implications closely and ensure that effective plans to address the challenges are devised and implemented promptly. Capital and financial plans, the alignment of strategic and financial plans, debt and investments comprising the organization's capital structure, auditing and compliance functions, and other activities are central to board financial oversight duties.

### Specific Duties

Boards must protect and enhance their organization's financial resources, and must ensure that these resources are used for legitimate purposes and in legitimate ways. Specifically, this means:

- Establishing key financial objectives that relate to goals and mission
- Ensuring the thoughtful development of operating and capital budgets so resources are allocated effectively across competing uses
- Ensuring levels of financial performance that support strategic investment and meet established credit goals
- Ensuring that appropriate controls are in place (e.g., the annual audit)
- Ensuring that excess funds are invested prudently

### At a minimum, the financial information presented to the board includes:

- Statistics reflecting the levels of patient activity across the full range of services provided
- A balance sheet as of the last day of the reported month
- A statement of revenue and expenses for the month and year-to-date as compared to the budget and prior year
- A statement of sources and uses of cash for the year-to-date

### The Financial Package Used to Monitor Performance

Standard monthly reports developed by the executive team and provided to the board include information on the hospital or health system's activities and performance. These include:

- Activity statistics
- Statement of operations, also called the income statement
- Balance sheet
- Statement of sources and uses of cash, also called the cash-flow statement

A brief description of each follows.<sup>4</sup>

3 Kenneth Kaufman, *Best Practice Financial Management: Six Key Concepts for Healthcare Leaders (Third Edition)*, Health Administration Press, 2006.

4 To understand how board members use these reports in monitoring activity, see Felix Kaufman, Ph.D., *Hospital Accounting and Finance (3rd Edition)*, *Elements of Governance*, The Governance Institute, 2009.

### Activity Statistics

Activity statistics show the level of patient activity for the month and year-to-date by types of service (medical) and by payment method. Some of the key elements in this report are:

#### Total number of patient discharges from the hospital

Number of Medicare patient discharges from the hospital  
Number of non-Medicare patient discharges from the hospital

#### Average length of hospital stay (total)

Average length of hospital stay (Medicare)  
Average length of hospital stay (non-Medicare)

#### Outpatient visits (total)

Outpatient visits (Emergency Room)  
Outpatient visits (Other)  
Outpatient visits (Physician)  
Surgeries (inpatient and outpatient, in hospital and off site)  
Key Service line volumes

#### Utilization by payer (by patient days and, separately, by percentage of revenue)

Medicare  
Medicaid  
Blue Cross  
HMO/PPO contracts  
All other  
Total

#### Staffing and Occupancy

Full-Time Equivalents  
Full-Time Equivalent per Adjusted Occupied Bed  
Occupancy Rate based on staffed beds

### Activity Statistics

This statistical report typically includes such data as inpatient discharges, average length of stay, average daily census, and case mix index, and outpatient clinic, ambulatory surgery, and emergency room visits. Data typically are provided for the month and year-to-date, showing variance between actual and budgeted for each. Data reported should be expanded to include all major services provided, regardless of location. See sidebar for more details.

### The Balance Sheet

The balance sheet is the statement of the organization's financial condition as of a specific date. On that date, various resources (assets) are available for use in providing patient services. Opposed to these assets are the claims (liabilities) against them.

Ratio	What it Shows	Formula	Comment
Days in accounts receivable	Measures the time (in days) that the organization processes claims and receives payment from insurers/patients.	(Net patient accounts receivable (from balance sheet) x 365) / net patient revenue	An increase of days in A/R suggests challenges in the hospital's business operations. A lower ratio is preferred, reflecting that the time period for collection is reasonable.
Days cash on hand	Measures the number of days the organization could continue paying its operating expenses from existing unrestricted liquidity balances in the absence of any future cash inflow.	(Unrestricted cash and investments + unrestricted board-designated funds) / ((operating expenses – depreciation) / 365)	Rating agencies are increasingly focused on this ratio. The median for an A-rated hospital in 2011 was 222 days. This ratio changed in 2011 to exclude bad debt as an expense, which has increased the median. The finance committee should establish a target for the current year and 5 years into the future.
Operating margin	Shows whether the organization made or lost money on its operations.	(Operating revenue – operating expenses) / operating revenue	This excludes non-operating revenue/expense and focuses on the core activities of the hospital or system. Operating margin is a widely-used metric to demonstrate the ability to make money on operations.
Operating earnings before interest, depreciation, and amortization (EBIDA) Margin (or operating cash flow margin)	Shows whether the organization made or lost money on its core operations excluding the impact of capital decisions.	(Operating revenue – operating expenses + interest + depreciation + amortization) / operating revenue	This excludes non-operating revenue/expense as well as capital decisions and focuses on the core activities of the hospital or system. Operating EBIDA margin is a key measure of overall financial health and is the primary driver of the organization's ability to invest in capital projects and maintain financial viability.

#### Other Important Ratios

Debt service coverage	Measures the ability of an organization's cash flow to meet its debt service obligations.	((Total revenue – total expenses) + depreciation + interest + amortization) / annual debt service	The higher this ratio, the more secure lenders are. Rating agencies may want the denominator stated as the largest annual debt service over some future period.
Long-term debt / Capitalization	Shows how reliant the organization is on long-term debt to support its asset base.	Long-term debt / (Unrestricted net assets + long-term debt)	A lower ratio is preferred as it reflects less reliance on debt/external borrowing to support the organization's asset base.
Unrestricted cash / long-term debt	Shows the ability of the organization to repay some or all of its debt in the short term.	(Unrestricted cash and investments + unrestricted board-designated funds) / long-term debt	This ratio is becoming increasingly important to rating agencies and lenders. A higher ratio is preferred. In 2011, the median ratio for A-rated hospitals was 1.46x.
Average age of plant	Indicates the average age of facilities and equipment.	Accumulated depreciation / depreciation expense	It is important that the average age of plant be at or below the median, especially among regional competitors. An older average age of plant ratio portends the need for major capital investment.
Capital spending ratio	Is a measure of capital spending as a percentage of depreciation expense.	Capital expenditures (additions to property, plant, and equipment) / depreciation expense	This ratio provides an indication of an organization's level of investment in its facilities and other strategic initiatives for long-term competitive performance.

Note: The accounting rules for treatment of bad debt have recently changed and bad debt will now be treated as a “contra-revenue”—a deduction from gross revenue similar to charity care—rather than an expense. The new methodology is being phased in between 2010–2013. Of the metrics above, these changes have impacted days cash on hand, operating margin, operating EBIDA margin, and days in accounts receivable.

For more information on key creditworthiness ratios and their impact on credit ratings and capital access and costs, see *Kenneth Kaufman, Focus on Finance: 10 Critical Issues for Hospital Leadership* (signature publication), The Governance Institute, 2008.

The “fund balance” is the not-for-profit organization's term for net worth (“net worth” is used in for-profit businesses).

The values by line and by totals change on consecutive balance sheets because of many factors:

1. The flow of resources from one monthly balance sheet to another as patient activity takes place
2. Surpluses and deficits (profits and losses)
3. Investing and divesting
4. Incurring debt and reducing debt

5. Pension funding and other items which do not impact the income statement

#### *Statement of Operations (Income Statement)*

This financial report shows the organization's performance in terms of revenues, expenses, and income or losses, for the month-and year-to-date; and how these results are better or worse than the current budget and, generally, the prior year. Best practice reporting includes volume adjustments to the budget to account

for actual results to cancel out the “noise” due to variations in actual vs. projected volumes. This statement includes the operating income/loss as well as the excess of revenues over expenses (or overall net income/loss).

### **Statement of Sources and Uses of Cash**

Equally important to understanding the organization’s profit or loss is understanding its “unrestricted cash position.” This statement, sometimes called the cash flow statement, identifies cash flows from operating activities, investing activities, and financing activities. When reviewing it, keep in mind:

1. If the organization doesn’t have enough cash, monitoring cash is the highest priority.
2. A growing, profitable venture may have cash problems.
3. Increasingly, rating agencies and lenders are looking for large and growing cash positions.
4. The organization should establish a targeted cash position. This will create the parameters for managing balance between capital investment and cash flow requirements.

### **Budgeting versus Planning**

Is budgeting planning? Yes. However, the terms “long-range financial planning” and “strategic planning” are different. A budget has a one-year time horizon. It reflects objectives to be achieved in the short term. Strategic plans and long-range financial plans, best accomplished through an integrated planning process, have longer time horizons—three to five years, at least—and reflect desired future positioning. How are the budgeting and planning processes connected? A strategic financial plan outlines the expected financial impact over the planning time horizon of investing and implementing strategic initiatives. This includes multi-year projections of balance sheets, statements of operations, and cash flow statements. The current budget is a step toward accomplishing the strategic financial plan and should be tied closely to the first year projection included in the plan.

Given the current operating environment, the strategic financial plan should include analysis of the investments required for physician integration strategies, as well as the revenue risks associated with payment pressures, including reductions in utilization and the closer alignment of payment level to quality outcomes.

### **Income Statement vs. Balance Sheet**

The income statement is related to the balance sheet: for any two consecutive balance sheets, and if all other things are equal, the organization’s change in unrestricted net assets mirrors the surpluses (profit) or the deficits (losses) generated during the period. The balance sheet category “net assets” is similar to what is generally called equity in a for-profit corporation.

### **Setting Strategic Direction/Mission Oversight**

Boards are responsible for envisioning and formulating organizational direction. This is done through confirming the organization’s mission, articulating a vision for the organization, and specifying key goals that result in progress toward the organization’s vision. The focus is on mission, vision, and goals. Guiding and participating in the development of the organization’s strategic plan remains an integral part of this process.

Strategic planning helps prepare an organization for the future. There are four important steps to initiating the process:

1. Know your organization’s history—where you have been, what has worked, what hasn’t worked, how the mission has changed over the years, and some of the main forces of change that have affected your organization.
2. Know your organization’s strengths and weaknesses—what you do well now, what you need to improve—and how these fit with the organization’s history and current direction.
3. Evaluate external opportunities and threats—the dynamics shaping your market and how you are positioned to respond.
4. Involve your constituents—the various publics you serve including physicians, community organizations, government, and the community at large.

**Mission.** Defines the present, describing the fundamental reason for which the organization exists.

**Vision.** Conceives a desirable future, describing how the organization will look and behave in the future.

**Values.** The ultimate principles that guide decisions and actions—the heart and soul of the organization.

After the homework, the planning process begins. Essentially, there are five steps to the process:

1. **Assess the organization’s needs.** Your homework provides the foundation for determining what the organization needs to change, evolve, expand, adapt—whatever the outcome desired.
2. **Set goals.** A goal is a broad, general statement of what you want to accomplish. You will want to set goals to correspond to the organization’s needs. After goals, you set objectives, which are specific, measurable statements of what to do within a certain timeframe to accomplish the goals. Objectives turn goals into concrete actions you can monitor and evaluate.
3. **Work through the strategy.** Your chief executive and other management staff are good resources to help the board plan its strategy.

4. **Implement the plan.** Once the plan is completed and approved, the board turns it over to management for implementation. The board will expect management to provide progress reports according to a timetable laid out in the plan itself.
5. **Evaluate what happened.** Routinely examine progress and evaluate what worked and what did not work. You will use your evaluation results in shaping your subsequent plan(s).

Here are some helpful planning guidelines:

- Designate specific time for planning tasks. It takes time to plan successfully.
- Involve all appropriate parties, both inside the organization and in the community.
- Always keep your organization's purpose in mind.
- Take time to consider various solutions even if the solution seems obvious.
- Make sure your plan is flexible enough to accommodate changing circumstances.
- Try to think as an organization, not as a department. That means plan three to five years out, not just for the next year.
- If you have paid staff to develop a plan, keep involved yourself. Your organization's strategic plan reflects the board, and board approval is required.
- Don't make your plan so elaborate that it is unattainable. Be realistic and focused.

**During difficult times, strategic planning is critical. To ease the planning process, boards should consider the following "pitfalls" and strive to avoid them:**

- Know your history. However, exercise caution when considering the past as a roadmap to the future. Board members should assess how the future may be different from the past.
- Look at what is real versus what you do or don't like. Issues tend to hang around whether you like them or not.
- Distinguish between fads and trends. Fads are introduced "top-down"—driven by producers. Trends are "bottom-up" and reflect changes in the attitudes and behavior of consumers or users of services.
- Beware of over-optimism. Forecasting accurately requires a grasp of reality rather than a bias toward optimism.

**One final note on planning:** Strategic planning involves the preparation of long-range budgets that reflect the financial requirements and outcomes of the organization's aspirations. Frequent changes over the period of the strategic plan typically produce results that bear little resemblance to the initial financial

forecasts. The organization can track these changes in a more detailed manner through its annual budget—a step toward the fulfillment of the strategic plan.

## Board Development

A board must assume responsibility for itself—its own effective and efficient performance. To discharge its stewardship responsibilities to its "owners," the board is responsible for its own development, job design, discipline, and performance.

Boards must evaluate themselves to determine their own effectiveness. Being effective as a board comprises several key elements, including:

- Appropriate board structure (e.g., board size and composition, member terms, board budget and staffing, officers, committees; and recruitment, selection and orientation of new members)
- Continuous governance improvement through regular board evaluation and ongoing education
- Efficient and effective board meetings
- Meeting its legally mandated fiduciary obligations

Using a rigorous and valid board self-assessment tool is essential to develop an action plan for improvement. The Governance Institute also recommends conducting individual board member assessments and using the results of those assessments to determine reappointment to the board.

With an understanding of the overall duties, some of the issues, and a code of conduct, boards can work on specific responsibilities and effectively monitor their own performance.

## Management Oversight

A key responsibility of the healthcare board involves management oversight and review, accomplished through routine CEO performance evaluation. The Joint Commission mandates routine assessment of chief executive performance, and observers clearly view this activity as a primary indicator of good governance. This is not a responsibility many board members enjoy, but it is fundamental to governance. It aligns organizational mission, values, goals, and objectives with organizational and CEO performance.

Both the board and the CEO need a clear vision of where the organization should be. The vision helps delineate an overall plan to guide the CEO's activities. As the CEO executes the plan, the board needs assurance that the CEO's leadership and direction remain compatible with the organization's vision and goals. Performance evaluation gives both the board and the CEO the opportunity to measure and guide progress.

Boards must ensure high levels of executive management performance. The CEO is the only employee who reports directly to the board. Tasks related to this responsibility include:

- Recruiting and selecting the CEO

- Specifying CEO performance expectations
- Evaluating the CEO's performance
- Determining the CEO's compensation and benefits
- Terminating the CEO's employment relationship with the organization, if the need arises

The relationship between a board and a CEO is delicate and critically important. This person is generally both a colleague and a subordinate. In most health systems and hospitals, the CEO is a member of the board (and also reports to it). Because the CEO is in the organization on a full-time basis and significantly influences the type of information the board receives, the CEO is often the board's most influential member.

### Advocacy and Community Benefit

Advocacy is an increasingly integral part of the board's overall imperative. As fund development and philanthropy have shifted from hospital boards to foundation boards, directors have lost sight of the importance of advocacy. But advocacy is not limited to fund development and philanthropy. It encompasses a full range of efforts to reinforce the organization's grounding in the community, and to truly understand and meet the community's needs.

Boards need to focus on advocacy for public policy issues such as community health status/population health, labor relations, nurse staffing ratios, medical malpractice, niche-provider competition, effective policies for managing the uninsured, and so forth. This requires board members to take an activist role in telling their stories.

Key activities that underpin advocacy efforts include:

- A periodic community health needs assessment to understand the health issues of the communities served (the Affordable Care Act now requires organizations to conduct a needs assessment every three years and create an action plan to address community health needs).
- Board orientation sessions that clearly explain the expectation that board members advocate on behalf of the organization.
- A board policy that spells out the board's role in fund development and philanthropy efforts.
- Board goals for public advocacy.

Some hospitals and health systems are now including information in their board orientation manuals such as a comprehensive description of the organization's community health commitment, policies, and programs, as well as questions boards can ask about these activities and potential ways to create community partnership opportunities.

### Legal Liability as a Board Member

Most organizations provide Directors' and Officers' (D&O) liability insurance. It protects board members from lawsuits by

paying defense costs, settlements, and judgments in some suits that challenge decisions they have made. However, it does not completely protect directors because of limitations and exclusions of coverage. D&O insurance premiums have been increasing in the past few years in response to increased risk for litigation, particularly in relation to hospital/health system finances and major business transactions.

Board members have liability protections other than D&O liability insurance. For example, some organizations have indemnification provisions in the corporate bylaws. These provisions ensure that board members will be compensated by the hospital for lawsuit judgments against them. Directors are also protected to some extent by state statutory immunity, although limitations and loopholes make this protection variable and debatable.

Additionally, board members are now required to complete a conflict-of-interest disclosure statement that is updated on an annual basis. This statement should include any and all business relationships, either direct or indirect (through family connections), the board member may have with the hospital or health system. Failure to disclose this information constitutes grounds for stepping down from the board, and the director is individually responsible for fully disclosing this information.

The board must always strive to do its best. Worrying about its performance, however, should be tempered with reason and judgment. Past scrutiny of board actions by the judicial system has focused on practical approaches to governance such as:

- Judicial examination of a board's oversight emphasizes the board's decision-making process and whether the board acted in a deliberate and knowledgeable way.
- Perfection is not needed; directors are not required to know everything about a topic, and courts defer to directors about choosing which materials to study or ignore.
- Boards must be attentive to obvious signs of financial or regulatory problems and of employee wrongdoing.
- Boards must use the amount of care an ordinarily careful and prudent person would use in similar circumstances.
- Directors will not be held liable for a decision made in good faith, where the director is disinterested and reasonably informed, and believes the decision is in the best interest of the organization.

### Code of Conduct

Some boards have established a "code of conduct" to help guide their members through the political and bureaucratic quagmire of board activity. Here is a sample—addressing director, management, and physician conduct—that may be helpful:

- Board members, physicians, and administration will function as partners in serving the community's health needs.
- Board members, physicians, and administration will hold themselves accountable for maintaining and improving partner-like relationships among themselves.

- Physicians will be involved in making major strategic level decisions that affect them, but will do so as part of the governance and management process.
- Physicians will be actively involved in the governance of the system and adhere to their fiduciary obligations.
- Board members, physicians, and administration will make decisions and solve problems jointly using open communication and positive approaches to conflict resolution.
- Board members, physicians, and administration will not tolerate dysfunctional relationships among themselves.
- Board members, physicians, and administration will commit to learning healthcare issues together.

Ground rules for behavior also set the tone for effective board meetings:

- Be honest and kind.
- Use good listening skills (e.g., clarify and paraphrase).
- Speak one at a time.
- Avoid side conversations.
- Keep all conversations confidential.
- Use consensus decision making.
- Encourage full participation.
- Summarize all decisions reached.

Finally, each board member should “internalize” the following maxims:

- Know and remember why you are on the board.
- Be careful but act decisively.
- Serve the organization’s/stakeholders’ interests.
- Do your homework.
- Show up and pay attention.
- Keep your eyes on the organization but your fingers out.
- Disagree in productive ways.
- Don’t surprise the board chairperson and/or CEO with “hand grenades.”

### Committees: The Workhorses of the Board

Board committees exist to enhance the effectiveness and efficiency of the full board when it meets. They do this by performing serious work for the board, in addition to directing work done by others on their behalf. This makes the volume of work more manageable.

Committees contribute to the overall effectiveness of a board in the following ways:

- They help an organization take complex issues or tasks and break them down into manageable projects.
- They accomplish much of the groundwork needed for the full board to make informed decisions.

### Key Points about the CEO’s Role and the Board’s Role

- Board members are not policemen—or even objective critics. They must have a positive, optimistic view that the organization will succeed.
- Both the board and the CEO should exert influence and have input in creating value.
- The board should focus on unlocking its full potential to contribute by:
  1. Being involved without micromanaging.
  2. Challenging the CEO but also being supportive.
  3. Being patient but not complacent.
- The CEO has the right to demand that the board be an open-voice forum, a source of counsel, and a check on his/her own judgment.
- The CEO should try very hard to:
  1. Share information without feeling vulnerable.
  2. Seek advice without appearing weak.
  3. Solicit input without appearing to relinquish control over operational decisions.
- Essentially, boards and CEOs are accountable to each other and pursue the same goals.

- They ensure the board and the organization that an issue was discussed thoroughly and not given short shrift by being one of a dozen items the board had to address at its meeting.
- They allow their members to substantively contribute to the organization—more so than these members may be able to do at full board meetings.

Committees do not replace the work of the board, but rather aid the full board in fulfilling its responsibilities. The full board, however, must ensure that committees function properly.

We advise keeping the number of committees to a minimum, and setting up *ad hoc* work groups or task forces, with limited duration, for topical and/or timely issues. Boards typically allocate work to five “standing” committees. (Because of recent emphasis on corporate responsibility, many boards are separating finance and audit responsibilities into two standing committees.) A summary of these committees’ charges and procedures appears in the following table. This table is for representative purposes only; boards may vary the number and titles of committees, the committees’ purposes, responsibilities, etc., to fit the needs and values of their individual organizations.

Board Committee	Purpose	Responsibilities	Composition	Meeting Schedule
<b>Finance and Audit Committee<sup>1</sup></b>	To monitor the hospital's/system's financial policies and the adequacy of its financial reporting, and recommend actions to protect and enhance the community's investment in the hospital/system. Also to ensure that appropriate policies and procedures are in place to safeguard and preserve the assets of the hospital/system.	<ul style="list-style-type: none"> <li>• Prepare and submit annually a five-year capital and operating budget showing expected receipts, income, expenses, and capital expenditures in detail for the ensuing year.</li> <li>• Approve annual operating budgets.</li> <li>• Review monthly financial statements.</li> <li>• Review financial performance of the operations on a regular basis.</li> <li>• Review and recommend a long-range financial plan for the organization.</li> <li>• Monitor and evaluate management of funds and recommend corporate investment policies.</li> <li>• Analyze and recommend methods of financing for business ventures.</li> <li>• Monitor the debt structure of the organization.</li> <li>• Review unbudgeted expenditures.</li> <li>• Guide the development of an internal audit plan.</li> <li>• Recommend external auditors, review audits and other findings of the external auditors.</li> <li>• Supervise preparation of the master financial plan.</li> <li>• Review charitable care policies and make recommendations.</li> <li>• Review proposed transfers of funds to related organizations and make recommendations.</li> </ul>	<p>At least seven directors, including president and immediate past president of the medical staff; president/CEO of the system/hospital; one member of management (non-voting member); and the treasurer of the system/hospital.</p> <p>It is strongly recommended that non-independent directors recuse themselves from committee responsibilities specific to audit oversight.</p>	Monthly or as needed
<b>Governance Effectiveness Committee</b>	To develop and monitor the effectiveness of existing board members. Also to establish and maintain an orientation and continuing education program for board members.	<ul style="list-style-type: none"> <li>• Develop and review with the full board an individual board member job description detailing responsibilities and expectations.</li> <li>• Review performance of board members prior to reappointment.</li> <li>• Identify and select candidates for committees of the board using criteria for board services as a guide.</li> <li>• Lead the succession planning process for the board chair and other board leaders.</li> <li>• Maintain an awareness of the needs for executive and board talents.</li> <li>• Plan board members' development, including recruitment, orientation, education, and evaluation of board members and their effectiveness. (Some organizations have a separate nominating committee to handle recruitment and nominating tasks.)</li> <li>• Review and update board policies and procedures.</li> <li>• Plan for orientation and education of board members and non-board members of board committees.</li> <li>• Conduct an annual board self-evaluation.</li> <li>• Confirm compliance with the organization's conflict-of-interest policy.</li> <li>• Set goals and objectives of the board of directors annually.</li> <li>• Provide an orientation program for new board members.</li> <li>• Periodically conduct an assessment of educational needs.</li> <li>• Obtain education through a variety of formats: conferences and workshops, review of printed material, video and oral presentations.</li> <li>• Provide funding, as part of the operating budget of the institution, to support educational programs for the board of directors.</li> </ul>	Appointed by the board chairperson and ratified by the full board. No less than five persons, including the board chairperson, the president/CEO of the organization, and at least two other board members. One of the members may also be a member of the medical staff.	Quarterly or as needed.

<sup>1</sup> In some organizations, finance and audit responsibilities are handled by two separate committees. For complete descriptions of these separate committees, see *Elements of Governance®: Board Job Descriptions & Committee Charters* (2nd Edition), The Governance Institute (2009), available to members online at [GovernanceInstitute.com](http://GovernanceInstitute.com).

Board Committee	Purpose	Responsibilities	Composition	Meeting Schedule
<b>Executive Committee</b>	To transact the business of the board of directors in the interim between meetings of the full board.	<ul style="list-style-type: none"> <li>Act on matters that cannot reasonably await action by the full board.</li> <li>Recruit and select the CEO.</li> <li>Review and approve the senior executive development plan and a CEO succession plan.</li> <li>Review and approve incentive expectations for the executive staff.</li> <li>Review the CEO's compensation package (in the absence of an executive compensation committee).</li> <li>All actions taken should be recorded in minutes and reported at the next meeting of the board of directors for affirmation.</li> </ul>	At least five members of the board, including the chairperson, president/CEO, physician board members, board officers, and others as designated by the board.	As needed.
<b>Strategic Planning Committee</b>	To recommend to the hospital board overall corporate business policy, long-range strategic plans, and urgent corporate strategic issues. Also, to recommend specific policy on expansion as a regional system (if applicable), and to exercise oversight on information systems planning and technology to support an integrated system.	<ul style="list-style-type: none"> <li>Provide advice on corporate policy, strategic issues management, long-range plans and, in general, overall strategic direction of the corporation and its subsidiaries and/or affiliates.</li> <li>Review proposals and recommend new business ventures and new technology.</li> <li>Review and recommend the hospital's annual update of the strategic plan.</li> <li>Keep abreast of major state and national issues relating to health-care and recommend advocacy efforts.</li> <li>Address other matters relating to corporate strategy.</li> <li>Review present information systems and recommend systems to more fully integrate corporate-wide clinical, financial, and managerial functions.</li> <li>Review and periodically revise the information systems plan to ensure that present and planned systems fully support strategic business objectives and operational needs.</li> <li>Review significant information system capital expenditure proposals and recommend to the board.</li> <li>Monitor implementation of the strategic plan and major strategic initiatives.</li> <li>Ensure that the strategic plan reflects and furthers the organization's mission, vision, and values.</li> <li>Ensure that physicians and other key stakeholders are included in the strategic planning process.</li> </ul>	<p>At least three and not more than seven board members, appointed in accordance with hospital bylaws by the chairperson of the board.</p> <p>Committee chair is also appointed by chairperson of the board.</p>	Quarterly or as needed.
<b>Quality Committee</b>	To assess the delivery of quality patient care throughout the hospital/system. Shall assist in determining the need for policies and procedures that result in the achievement, through continuous quality improvement, of the maximum benefit to patients in a customer-oriented and cost-effective manner.	<ul style="list-style-type: none"> <li>Recommend policies and procedures that enable the medical staff to process applications and re-appointments, and the granting of clinical privileges in a timely and appropriate manner.</li> <li>Monitor the performance of the medical staff in carrying out its responsibilities for evaluating and improving patient care.</li> <li>Review sentinel events and root-cause analyses.</li> <li>Review hospital performance on quality and patient safety standards (CMS, The Joint Commission).</li> <li>Monitor the performance of all hospital programs in developing and implementing quality improvement initiatives.</li> <li>Assure that the organization remains nationally accredited and locally respected for its quality of care.</li> <li>Review periodic trend reports that reflect the overall performance of the hospital in providing quality care in a customer-focused, cost-effective manner.</li> <li>Ensure that quality services and their quantification are a hospital-wide expectation of all operating units.</li> <li>Ensure that all operating programs develop a specific plan for implementing the concept of continuous quality improvement.</li> </ul>	Three directors from the hospital board, and at least three physicians, including the president of the medical staff.	At least 10 to 12 times per year.

## Keeping on Track: The Distinction between Management and Governance

The board must represent and balance the interests of those to whom the organization belongs, and thus must decide and act as their constituents would if they had the time, energy, experience, and knowledge to do so on their own behalf. This is best accomplished by focusing board efforts on governance—the area where the board is best positioned to add value to the organization.

Directors need to have a clear sense of the fine line between management and governance. Although not absolute, there are differences between the two. Governance means *setting* policy and strategy. Management means *implementing* policy and strategy as set forth by the governing body. The distinction, however, is obscured by the complexity and dynamic nature of healthcare organizations.

Ideally, governance and management is a joint endeavor. The future of the organization depends on the effectiveness of their mutual efforts. Nevertheless, it is the healthcare organization's governing board that is ultimately responsible, legally and morally, for the institution and all services it provides. So both the board and the CEO must diligently support their respective roles in the organization.

The board should expect specific things from its CEO and executive managers:

- A cooperative and open relationship—fully receptive to advice and counsel regarding the overall direction of the organization
- Guidance on policy and strategy

- Sufficient amounts of the right kind of information, in a timely fashion, to enable directors—individually and collectively—to fulfill their duties
- Management's best interpretation of reports, performance indicators, etc., including implications
- A realization that a director has assumed a responsibility to all stakeholders and expects the organization to be a good corporate citizen with respect to its many publics
- An openness and receptivity to searching questions by the directors
- Distribution to directors of all communications by management to the organization's various publics, including reports to funding sources, presentations to analysts, pertinent press releases

The CEO also has expectations of the board:

- Directors will show up (on time) for board and committee meetings, well prepared to discuss agenda items.
- They will express their views on the quality, quantity, and timeliness of the information they receive from management.
- They will seek additional information when they need it.
- They will exercise an active skepticism, articulate nagging doubts, and volunteer viewpoints.
- They will be available to the chairperson and CEO on an *ad hoc* basis for advice and counsel.
- They will confine their activities to their role as directors, and not allow themselves to drift into the management domain.



# Gaining Perspective to Serve Effectively



## What You Need to Know

- Your organization and its structure
- Board structure
- Organizational planning
- Program services
- Funding
- Financial management
- Public relations and organizational spokesperson
- Personnel

A typical board orientation program will be organized into sections specific to your hospital/health system. Each section should answer basic questions you may have about your organization, its structure, key managers, financial and legal issues, etc. We offer a sample orientation format, with 99 focused questions for your convenience. This is probably more than you expected you would have to know, but we believe it will provide you with a basic background to your organization.

## 99 Things to Know about Your Organization

The following table lists questions that are typically answered/covered in the board manual and board orientation program.

Main Topics	The Section Should Answer the Following Questions:
<b>Mission of the Organization</b>	<ol style="list-style-type: none"> <li>1. Why do we exist?</li> <li>2. Has our mission changed recently?</li> <li>3. What are the communities we serve? Who are the "owners?"</li> </ol>
<b>Vision of the Organization</b>	<ol style="list-style-type: none"> <li>4. Where do we want to be as an organization?</li> <li>5. Has our vision changed recently?</li> <li>6. Does our strategic plan reflect our vision?</li> </ol>
<b>Values of the Organization</b>	<ol style="list-style-type: none"> <li>7. What are our core values?</li> <li>8. Has our value statement changed recently?</li> <li>9. Do the medical staff and management accept and promote these organizational values?</li> </ol>
<b>Board of Directors</b>	<ol style="list-style-type: none"> <li>10. Who is on the board (should include director and CEO names, addresses, work and home phone numbers, length of tenure)?</li> <li>11. Who are the "independent" directors? "Non-independent" directors?</li> <li>12. What board committees do we have?</li> <li>13. Which board members are assigned to what committees?</li> <li>14. What is the physician representation on the board?</li> <li>15. What are the provisions/terms of our D&amp;O insurance?</li> </ol>
<b>Board Meetings</b>	<ol style="list-style-type: none"> <li>16. What is the board's meeting schedule? The committee meeting schedules?</li> <li>17. How long are board meetings? Committee meetings?</li> <li>18. Who provides staff support to the board? How do we contact him/her? Where is the board "office?"</li> <li>19. What does a standard board meeting agenda look like?</li> <li>20. How do we submit agenda items for the meetings?</li> </ol>
<b>Organizational Structure</b>	<ol style="list-style-type: none"> <li>21. What are the primary phone numbers for the organization?</li> <li>22. Who is the primary administrative support person we should contact? What is his/her direct phone number?</li> <li>23. How is the organization set up (parent, subsidiaries, special programs/units, etc)?</li> <li>24. How is management set up (organizational chart)?</li> <li>25. Who is the senior administrator on call?</li> </ol>

Main Topics	The Section Should Answer the Following Questions:
<b>Strategic Plan</b>	<ul style="list-style-type: none"> <li>26. What is our primary direction over the next 3–5 years?</li> <li>27. Who developed the plan?</li> <li>28. Where are we in its implementation?</li> <li>29. What are the plan's problems, if any?</li> </ul>
<b>Type of Organization</b>	<ul style="list-style-type: none"> <li>30. What is our legal status (not-for-profit corporation, division/branch of a not-for-profit corporation, subsidiary of a for-profit corporation, etc.)?</li> <li>31. Do we have for-profit subsidiaries? If so, what are they and how does this work?</li> <li>32. Do we have non-profit subsidiaries? If so, what are they?</li> </ul>
<b>“Direct Reports” to the CEO</b>	<ul style="list-style-type: none"> <li>33. What departments/services report directly to the CEO?</li> <li>34. Who else reports directly to the CEO?</li> </ul>
<b>CEO Responsibilities</b>	<ul style="list-style-type: none"> <li>35. What are the CEO's responsibilities?</li> <li>36. What is the difference between what the board does and what the CEO does; i.e., where is the line between the two functions?</li> <li>37. Is the CEO a voting member of the board?</li> <li>38. Who handles the media?</li> </ul>
<b>Medical Staff</b>	<ul style="list-style-type: none"> <li>39. Who is the chief of the medical staff? How long has he/she had that position? Is this person on the board? A voting member of the board?</li> <li>40. What is the composition and structure of the medical staff (how many, specialties, employed, etc.)?</li> <li>41. What is the responsibility of the medical staff with respect to patient care and the board?</li> <li>42. How is the medical staff organized (including committees)?</li> <li>43. Is there an updated medical staff manual?</li> <li>44. What is the credentialing and reappointment process?</li> <li>45. What medical staff committees exist to ensure quality patient care?</li> <li>46. Does the medical staff leadership provide the board with routine reports on quality of care?</li> </ul>
<b>Operations</b>	<ul style="list-style-type: none"> <li>47. Do we have a customer service program? If so, what are its components and who is in charge?</li> <li>48. Do we have a patient handbook? If so, has it been recently updated?</li> <li>49. Do we have a continuous quality improvement/performance improvement initiative? If so, how is it working and who is in charge?</li> <li>50. What is The Joint Commission and how does it affect our organization?</li> <li>51. When was our last Joint Commission (or other accrediting organization) visit? Were we accredited? If not, what have we put in place to ensure we will be accredited at the next visit? When is the next visit?</li> <li>52. What programs do we have that reach out into the community?</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>53. Who is our chief financial officer and what are his/her responsibilities?</li> <li>54. Who conducts internal audits?</li> <li>55. Who conducts external audits?</li> <li>56. What was our inpatient/outpatient activity over the past year? Has it increased or decreased? What are the implications?</li> <li>57. What was our revenue and expense position over the last year? What are the implications?</li> <li>58. What is our payer mix? How does this affect our revenue?</li> <li>59. What are our key financial indicators?</li> <li>60. What is our bond rating?</li> <li>61. What are the trends in patient activity, reimbursement, technology, and in the market?</li> </ul>

Main Topics	The Section Should Answer the Following Questions:
<b>Nursing</b>	<ul style="list-style-type: none"> <li>62. Who is our director of nursing and what are his/her responsibilities?</li> <li>63. How are patient care services organized (e.g., Ambulatory Care, Med/Surg, Intensive Care, Maternity/OB, etc.)?</li> <li>64. Who is the “house supervisor” and what does this mean?</li> <li>65. What are the current issues regarding our Emergency Department?</li> <li>66. What are the inpatient statistics (e.g., how many beds per unit, occupancy, number of surgeries, etc.)?</li> <li>67. What are the outpatient statistics (e.g., how many ambulatory visits, how many emergency room visits, etc.)?</li> <li>68. Do we have case managers?</li> </ul>
<b>Other Clinical Services</b>	<ul style="list-style-type: none"> <li>69. How many labs do we have and where are they located?</li> <li>70. How many lab tests are done each month?</li> <li>71. How many radiology sites do we have and where are they located?</li> <li>72. How many radiographic studies are done each year?</li> <li>73. Do we have rehab services? What are the specifics?</li> <li>74. Do we have cardiopulmonary services? What are the specifics?</li> <li>75. How is our social service/social work effort organized? What are the specifics?</li> <li>76. What are the specifics about our pharmacy services?</li> </ul>
<b>Corporate Compliance/ Strategic Planning</b>	<ul style="list-style-type: none"> <li>77. Who is in charge of corporate compliance and strategic planning?</li> <li>78. What are the responsibilities associated with monitoring corporate compliance?</li> <li>79. What is the specific role of the person in charge of strategic planning? How does this activity relate to board responsibility?</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>80. Who is our counsel?</li> <li>81. Do we have outstanding lawsuits against us? What is the status?</li> <li>82. Who handles our contracting?</li> <li>83. What major contracts do we have outstanding?</li> <li>84. What are our most pressing legal issues?</li> </ul>
<b>Physician Recruiting/ Integration</b>	<ul style="list-style-type: none"> <li>85. Do we employ physicians?</li> <li>86. How do we recruit physicians?</li> <li>87. What are our current physician needs for the organization?</li> <li>88. How are we progressing in our recruitment and integration efforts?</li> </ul>
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>89. How many employees do we have?</li> <li>90. What are our employee statistics (e.g., males vs. females, number of FTE, part-time, average age, average length of employment, turnover, etc.)?</li> <li>91. How many nurses? Do we have a shortage? What are some of the key issues and efforts?</li> <li>92. What is the employee benefit package?</li> <li>93. How does employee compensation compare with our competitors and with the industry?</li> <li>94. Do we have in-house education programs?</li> <li>95. What are the components of human resources that merit attention of the board (e.g., changes to administrative policies such as benefits and wages, Joint Commission, etc.)?</li> </ul>
<b>Materials and Facilities</b>	<ul style="list-style-type: none"> <li>96. Who is in charge of materials and facilities management?</li> <li>97. What are some of the key responsibilities of this position?</li> <li>98. How does this function relate to capital purchases and the capital budget?</li> <li>99. If we have large construction projects underway, what has been our progress and what can we expect in the next three to six months?</li> </ul>

## Overview of the Healthcare Industry

A healthcare organization mobilizes the skills and efforts of a number of widely divergent groups of professional, semi-professional, and non-professional personnel to provide a highly personalized service to individual patients. Its principal product is medical, surgical, and nursing services to the patient, and its central concern is the life and health of the patient. With health reform and care delivery redesign (discussed in more detail below), the central concern of the hospital/health system will become keeping patients healthy and preventing them from needing to go to the hospital in the first place.

A healthcare organization has several objectives; for example:

- Its own maintenance and survival
- Organizational stability and growth
- Financial solvency
- Possibly medical and nursing education and research
- Community outreach, education, and health services to the uninsured/underinsured

### Characteristics of a Healthcare Organization

- The main objective is to provide personalized service—care and treatment to individual patients.
- It depends upon and must respond to its surrounding community.
- The demands of much of the work are of an emergency nature and non-deferrable.
- The nature and volume of work are variable and diverse, and subject to relatively little standardization.
- The principal workers in the hospital—doctors and nurses—are professionals, and this entails various administrative and operational challenges for the organization.
- The CEO has much less authority, power, and discretion than his/her managerial counterparts in other industries because the healthcare organization is not and cannot be organized on the basis of a single line of authority.
- It is a formal, quasi-bureaucratic and quasi-authoritarian organization that relies on conventional hierarchical work arrangements and rather rigid impersonal rules, regulations, and procedures.
- It is also highly departmentalized, highly professionalized, and highly specialized, and could not function effectively without relying heavily for its internal coordination on the motivations, actions, self-discipline, and voluntary, informal adjustments of its many members.
- The organization shows a very great concern for efficiency and predictability of performance among its members and for overall organizational effectiveness.

To do its work, the healthcare organization relies upon an extensive division of labor among its members. Work is greatly differentiated and specialized, and carried out by a large number of people whose backgrounds, education, training, skills, and functions are as diverse and heterogeneous as can be found in any of the most complex organizations in existence.

Everyone working in the organization depends upon some other person or persons for the performance of his/her own organizational role. Work is mutually supplementary, interlocking, and interdependent. Consequently, healthcare organizations have developed intricate and elaborate systems of internal coordination which, without concerted effort, continuity of care could not be ensured.

### Organization of a Hospital/Medical Center

A hospital typically offers a wide array of services, both inpatient and outpatient, on its campus, and its organizational structure varies. In general, it is organized with a chief executive officer directing all aspects of operations except those that are assumed by the medical staff. The medical staff has a lead person, the chief of staff (or a similar title). Both the chief executive officer and chief of staff may be voting board members. Because the CEO is the only person who directly reports to the board, the chief of staff has a responsibility/accountability relationship to the CEO.

The board of directors works in collaboration with its two key partners—the CEO/senior executives and the medical staff. The three comprise the organizational “triad.” But the board has ultimate authority and overall responsibility for the institution.

### Administration

Although the organizational structure varies, generally the hospital or medical center’s CEO is responsible for the organization’s administration, which includes myriad professional and non-professional patient care services. Here are just a few of the specialized departments:

- Nursing and nursing units (for example, regular patient units such as med/surg, OB/maternity, labor and delivery, cardiac unit, intensive care units, intermediate care units, trauma, and all outpatient nursing in clinics, same-day surgery centers, etc.)
- Radiology
- Laboratories
- Pharmacy
- Social work
- Respiratory therapy
- Occupational therapy
- Physical therapy
- Nuclear medicine
- Housekeeping

- Nutrition and dietetics
- Operating rooms
- Dialysis
- Ambulatory services
- Emergency department
- Other specialized services

Administrative support services include:

- Finance: this includes hospital admitting, patient billing, authorizations, budgets, as well as all aspects of financial performance
- Information technology
- Medical staff relations
- Communications
- Public relations
- Marketing
- Human resources
- Education, training, certification
- Legal
- Regulatory/compliance
- Quality monitoring
- Strategic planning
- Community outreach
- Supplies and materials management
- Linens
- Physical plant maintenance
- Management and administrative support
- Waste disposal
- Other support services

### *The Medical Staff*

The board delegates the day-to-day management to the CEO. In turn, the CEO delegates authority to the heads of the various departments. The heads of these departments, in turn, have varying degrees of authority over the affairs of their respective departments and personnel. The medical staff, its officers, and its members usually do not have any direct-line responsibility; they are outside of the administrative line of authority. (However, this is swiftly changing with the increase in employed physicians, many of whom are taking on these leadership roles.)

Yet, as is well known both within and outside the hospital, physicians exercise substantial influence throughout the hospital structure at nearly all organizational levels, enjoy very high autonomy in their work, and have a great deal of professional authority over others in the organization. And although the board of directors in theory the ultimate source of authority, the board actually has very limited *de facto* authority over the medical staff. Independent physicians are subject to very little organizational authority partly because they are not employees of the hospital, they enjoy high status and prestige, and they have almost supreme

authority in professional–medical matters (the recent trend towards employing and integrating physicians alleviates some of these issues among the employed physicians).

The treatment of hospital inpatients and outpatients depends on the physicians personally carrying out medical treatment and/or directing and supervising others in performing certain tasks. This means physicians have substantial power in the hospital hierarchy. Physicians are granted “privileges” by the board to practice their field of medicine in the hospital.

The physicians most commonly employed by the hospital are hospital-based specialists such as anesthesiologists and pathologists, hospitalists, intensivists, or the chief of staff or chief of a specific medical service, who coordinate medical care for that service. Patient care services that have a physician “chief” can include surgery, orthopedics, obstetrics/gynecology, cardiology, etc. Hospitals and health systems are employing increasing numbers of primary care physicians and non-hospital based specialists, and/or engaging in integrated relationships with such physicians so that there can be more control over the quality of care provided and adherence to standardized care protocols in line with the hospital/health system’s efforts to prepare for new payment models.

### *Nursing*

Nurses provide the vast majority of hands-on care in hospital and outpatient settings. Nurse-dependent services include surgery, labor and delivery, emergency and trauma care, all acute inpatient care, all facility-based long-term care, outpatient dialysis, and licensed skilled homecare. Nurses do clinical assessment on admission, the majority of IV care and related medications, most treatments and procedures and discharge evaluation, and evaluate other nurses.

Because of both their importance and professional requirements, they are governed through a lead nursing executive who usually reports directly to the CEO. Nurses are assisted by a variety of professional and semi-professional people including technicians, administrative clerks, aides, therapists, social workers, infection control specialists, discharge planners, quality monitoring specialists, utilization review specialists, and care coordinators. There are also nurse specialists fully integrated into most patient care settings including nurse practitioners, midwives, and clinical nurse specialists.

### *Ancillary Services*

Patients usually need more than a bed, a doctor, and a floor nurse when in the hospital. They require services that are “prescribed” by the physician and administered or processed by other health-care professionals. These “ancillary” services include respiratory therapy, blood work from a laboratory, X-rays from radiology, dialysis, physical therapy, occupational therapy, resuscitation

teams, special diagnostic procedures such as magnetic resonance imaging (MRI), and oncology treatment such as chemotherapy.

In addition to these clinical services, the hospital also must feed its patients and employees, keep rooms and hallways clean, instruments sterile, linens fresh, everything well stocked, equipment calibrated, and emergency transport certified and running well.

### *So, It Doesn't Seem So Complex*

This has been a simplified description of a hospital. What appears to be a relatively modest building with some adjacent structures actually comprises the primary work environment for hundreds, even thousands of employees, hundreds of physicians, and is the major purveyor of health and medical care to hundreds and thousands of patients and their families. A hospital is often the largest single employer and source of capital spending in its community.

Any institution that serves its community with consistently high quality and reliability, while employing many of its residents and supporting many of its physicians is, by nature, complex.

### **National Context for Hospitals and Health Systems**

Today's healthcare organization looks quite different from its early 20th-century counterpart. The hospital, a major institution in the healthcare delivery system today, is complemented and enhanced by a variety of structural and virtual relationships that expand its influence, and risk, far into its many communities—and far beyond what we would have predicted in the mid-1900s.

The cornerstone of healthcare remains the hospital, but much of what we hear about today involves aspects of healthcare we never used to consider: pharmaceutical companies, information technology for computerized enhancement to medical care, the ins and outs of virtual partnering, increasing hospital consolidations, and specialty competition. More and more patients are being treated in an outpatient setting, which is greatly affecting care delivery in hospitals. What used to be considered a complex industry has surpassed its own complexity, and fashioned convoluted responses to a rapidly changing and highly regulated environment.

Healthcare organizations are and will remain of maximum importance in providing medical services to their communities. They have an obligation to serve the needs of their communities. They also employ a significant portion of the population—and in many cases make up the largest single employer in a particular market.

Providing healthcare services has become more expensive than ever imagined. Since the middle of the 20th century, healthcare has consumed an increasingly large—some believe disproportionate—share of U.S. resources. Total health expenditures

grew from \$246 billion in 1980 to over \$2.7 trillion in 2011, and are projected to grow at a rate of 6.2 percent annually through 2021.<sup>5</sup>

### **Healthcare Reform**

To address the growing problem of unsustainable healthcare costs, in March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, which outlined a number of provisions related to health insurance reform, payment reform, and care delivery reform. The law was subject to a number of legal challenges that ultimately went to the U.S. Supreme Court, which upheld the majority of the law in June 2012.

Payment reform involves new payment models tied to health outcomes, moving away from the traditional fee-for-service payment model. Under new payment models, providers will no longer be paid on the basis of individual services provided, but on the basis of whether the treatment was necessary and if the patient benefitted from the treatment. New payment models include bundled payments (a single payment to the hospital for an entire episode of care, to be disbursed to each individual provider involved in that episode of care), pay-for-performance (still under the fee-for-service model but payment is higher if quality performance is improved and lower if quality declines), and shared savings/shared risk (primarily the Medicare Shared Savings Program, the primary payment model for accountable care organizations). The federal legislation involves payment reform for Medicare/Medicaid patients only, but most private insurers are developing similar payment models.

Care delivery reform involves quality, safety, and efficiency provisions designed to improve quality and safety while at the same time reduce costs through eliminating waste, unnecessary treatment/tests, and reduction/elimination of costly complications due to poor quality and medical errors. Accountable care organizations and patient-centered medical homes are two major concepts under care delivery redesign. Other concepts include improving care coordination between/among providers and care settings and increasing the use of standardized care protocols/processes and evidence-based medicine. The emphasis is moving away from treating sick people to prevention and wellness.<sup>6</sup>

Health reform and related market pressures to reduce the unsustainable cost of healthcare have caused an increase in physician integration and employment (meaning an evolving medical

5 Centers for Medicare & Medicaid Services, National Health Expenditures, 2011.

6 The Governance Institute has extensive publications and other resources on health reform and the resulting implications for hospitals and health systems. For more information visit the Resource Library at [www.governanceinstitute.com](http://www.governanceinstitute.com).

staff structure, which will change the board's relationship with the medical staff), as well as hospital consolidation.

Reform implications and considerations for hospital and health system boards include:

- Prevention and wellness efforts will mean fewer patients filling hospital beds.
- There will continue to be an increase in outpatient care and a decrease in inpatient care.
- Payments will reflect this and thus the financial indicators of a healthy organization will be measured differently.

Healthcare is very big business, and must measure up to very stringent and onerous regulations. Here are a few:

1. Hospitals and healthcare organizations must be licensed to protect the health, safety, and welfare of the public. Licensed facilities are subject to periodic inspections and review activities.
2. Certificate-of-need (CON) legislation, enacted by Congress, requires that providers get approval based on community need for construction and renovation projects. (CON regulation still exists in many states in order to regulate entry of very expensive new services.)

3. Cost-containment through rate review.
4. Regulation of mergers and acquisitions through antitrust laws.
5. Regulation of health plans through federal and state agencies and commissions.
6. Professional liability for malpractice suits.
7. Many other forms of regulation including pharmacy services, radiology services, food safety standards (patient meals and employee cafeterias), employee safety regulations, infection control standards, regulations governing the operation of laboratories, etc.
8. Accreditation agencies that report organizations' progress in meeting standards. Accreditation makes the difference between receiving and not receiving certain types of federal and state funding.
9. The IRS Form 990 report includes an expanded section for hospitals to file, known as Schedule H. This worksheet requires not-for-profit hospitals and health systems to describe and document vast amounts of information on how the organization and its board of directors run the business. Community benefit calculations and conflict-of-interest disclosure are included on this form, as well as policies and compliance issues. If the IRS finds the information to be lacking, the IRS may question the validity of the organization's tax-exempt status.



## Bon Voyage & Good Luck!

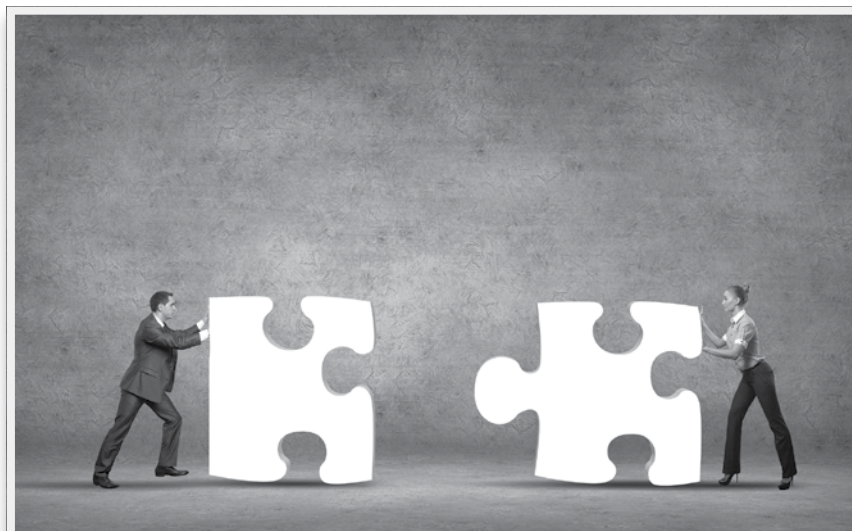


Well done! You have completed this brief orientation manual—which means you have an earnest and inquiring approach to your new role as board member. These attributes will serve you well, and will serve your organization even better, because today's healthcare organization needs diligent, curious, critical thinkers to help guide it through the upheavals it will undoubtedly experience in the next three years.

There is much more to learn about healthcare and about governance. You now have a basic mastery of your key responsibilities, roles, key issues, and what sorts of questions you need to think about during your formal orientation. You also know how you and your colleagues should relate to one another and to your managers, how to work together in tense settings to accomplish great things in short periods of time, and how to support one another for the good of your community. You are a volunteer! Rely on your CEO and chairperson for assistance.

The Governance Institute has in-depth publications on each of the topics covered in this manual, as well as on other timely governance and healthcare issues crucial for your continuing education efforts. We also provide research services, answer special requests, and respond very well to unique suggestions about publication and conference topics. We publish a bimonthly newsletter, *BoardRoom Press*, E-Briefings online newsletter (also bimonthly), and white papers on a quarterly basis. We have video programs, Webinars, e-learning courses, and an online education series, *Elements of Governance*®. Check with us for a list of our newest publications, or for copies of papers already published.

Best wishes for a challenging and rewarding experience serving on your board!





# Appendix 1: Sample Job Descriptions



## Freestanding Hospital Board of Directors

### Core Responsibilities

A hospital governing board must fulfill certain fundamental or core responsibilities in overseeing the efforts of the organization. These responsibilities cluster around six major areas:

1. Financial Oversight
2. Quality Oversight
3. Setting Strategic Direction/Mission Oversight
4. Self-Assessment & Development
5. Management Oversight
6. Advocacy

The board fulfills these responsibilities by adopting specific outcome targets against which to measure the organization's performance. To accomplish this, the board must:

- Establish policy guidelines and criteria for implementing the mission statement. The board also reviews the mission statements of any subsidiary units to ensure that they are consistent with the overall mission.
- Evaluate proposals brought to the board to ensure that they are consistent with the mission statement.
- Monitor programs and activities of the hospital and any subsidiary units to ensure mission consistency.
- Periodically review, discuss, and amend the mission statement if necessary to clarify board responsibilities.

### Financial Oversight

The board has responsibility for the financial soundness of the organization. To accomplish this the board must:

- Review and approve overall financial policies and plans for the organization.
- Receive and review financial reports to assess actual performance compared to projections.
- Review and adopt ethical financial policies and guidelines.
- Review major capital plans proposed for the organization and any subsidiaries.
- Ensure that the financial, capital, and strategic plans are aligned.

### Quality Oversight

This board has the responsibility to assess the quality of all services provided by all individuals who perform their duties in this facility or under this board's sponsorship. To do this, the board must:

- Make quality of care and patient safety top priorities for the organization.
- Approve and oversee quality improvement initiatives recommended by senior management and the medical staff.
- Assume responsibility for the actions of all physicians, nurses, and other individuals who perform their duties in the organization's facilities.
- Review and carefully discuss quality reports that provide comparative statistical data, and set measurable policy targets to ensure continual improvement in quality performance.
- Carefully review recommendations of the medical staff regarding new physicians who wish to practice in the organization and approve these recommendations if appropriate.
- Reappoint individuals to medical staff using comparative outcome data to evaluate how they have performed since their last appointment.
- Appoint physicians to governing body committees and seek physician participation in the governance process to assist the board in its patient quality-assessment responsibilities.
- Regularly receive and discuss malpractice data reflecting the organization's experience and the experience of individual physicians who have been appointed to the medical staff.
- Regularly receive and discuss data about medical staff to assure that future staffing will be adequate in terms of ages, numbers, specialties, and other demographic characteristics.
- Monitor programs and services to ensure that they comply with policies and standards relating to quality.
- Take corrective action to improve quality performance when appropriate and/or necessary.

### Setting Strategic Direction/Mission Oversight

The board has the responsibility to recommend the future direction that the organization will take to meet the community's health needs. To fulfill this responsibility, the board must:

- Review and approve a comprehensive strategic plan and supportive policy statements.

- Ensure that the organization's strategic plan is consistent with the mission.
- Regularly review progress toward meeting goals in the strategic plan to assure that the board is fulfilling its mission.
- Periodically review, discuss, and amend the strategic plan to ensure its relevance to the mission.

### Self-Assessment & Development

A board must assume responsibility for itself—its own effective and efficient performance. To discharge its stewardship responsibilities to its “owners,” the board must:

- Participate annually in a formal board evaluation process.
- Evaluate board performance of individual board members to determine the appropriateness of continued service on the board.
- Maintain and update policy statements regarding roles, responsibilities, duties, and job descriptions for the board itself and its members, officers, and committees.
- Participate both as a board and as individuals in orientation programs and continuing education programs.

### Management Oversight

The board is the final authority regarding oversight of management performance by the CEO and support staff. To exercise this authority, the board must:

- Support and assist the CEO to help achieve the organization's mission.
- Communicate regularly with the CEO regarding goals, expectations, and concerns.
- Evaluate the performance of the CEO annually using goals and objectives agreed upon with him or her at the beginning of the evaluation cycle.
- Periodically survey CEO employment arrangements at comparable organizations to ensure the reasonableness and competitiveness of his or her compensation package.
- Periodically review management succession plans to ensure leadership continuity.
- Establish specific performance policies that provide the CEO with a clear understanding of board expectations, and update these policies based on changing conditions.

### Advocacy

- The board needs to focus on advocacy and lobbying around public policy issues. In order to take an activist role, the board must:
- Conduct a periodic community health needs assessment to understand the health issues of the communities served.
- Set goals for the organization around the issue of public advocacy.
- Establish a policy that spells out the board's role in fund development and philanthropy efforts.

Finally, the board is responsible for managing its own governance affairs in an efficient and effective way. To fulfill this responsibility, the board must:

- Maintain written conflict-of-interest policies that include guidelines for the resolution of existing or apparent conflicts of interest, the organization's definition of an independent director, and disabling guidelines.<sup>7</sup>
- Periodically review the board's own structure to assess appropriateness of size, diversity, committees, tenure, and turnover of officers and chairpersons.
- Ensure that each board member understands and agrees to maintain confidentiality with regard to information discussed by the board and its committees.
- Maintain efficient and timely communication with any subsidiary boards.
- Adopt, amend, and, if necessary, repeal the articles and bylaws of the organization.
- Maintain an up-to-date board policy manual, which includes specific policies covering its specific duties of care, loyalty, and obedience, and its oversight responsibilities in the areas of finance, quality, strategic planning, self-assessment and development, management oversight, and advocacy.

## Health System Board of Directors

### Core Responsibilities

A health system board must fulfill certain core or fundamental responsibilities in overseeing the efforts of the organization. These responsibilities cluster around six major areas:

1. Financial Oversight
2. Quality Oversight
3. Setting Strategic Direction/Mission Oversight
4. Self-Assessment & Development
5. Management Oversight
6. Advocacy

The board fulfills these responsibilities by adopting specific outcome targets against which to measure the organization's performance. To accomplish this, the board must:

- Establish policy guidelines and criteria for implementation of the board's mission statement. Also, review the mission statements of subsidiary units to ensure that they are consistent with the system mission.

<sup>7</sup> The IRS recommends that a not-for-profit board maintain a majority of “independent” directors. See Part VI. Governance, Management, and Disclosure in the 2008 filing instructions for the Form 990 for the IRS's definition of an independent director. For a sample definition of an independent director and sample disabling guidelines, see *Emerging Standards for Institutional Integrity: A Tipping Point for Charitable Organizations*, The Governance Institute (white paper), Fall 2006.

- Evaluate proposals brought to the board based on their consistency with the mission.
- Monitor programs and activities of the hospital and subsidiary units to ensure mission consistency.
- Periodically review, discuss, and amend the mission statement if necessary to ensure its relevance.

### Financial Oversight

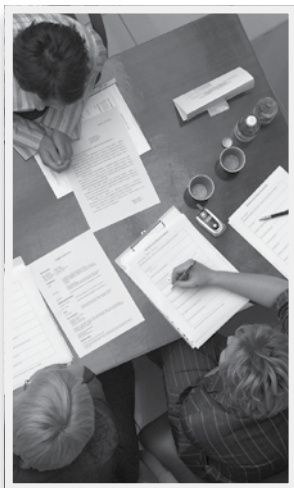
The board has responsibility for the financial soundness of the organization. To accomplish this the board must:

- Review and approve overall financial policies and plans for the system.
- Provide financial policies and oversight for the assets of the system and its subsidiaries.
- Approve financial policies, plans, programs, and standards to ensure preservation and enhancement of the system's assets and resources.
- Monitor actual performance against budget projections.
- Review and adopt ethical financial policies and guidelines.
- Review major capital plans proposed for the system and its subsidiaries.

### Quality Oversight

Whether it has delegated quality oversight responsibility to the system's subsidiaries or has chosen to retain responsibility at the system board level, the board is obligated to ensure the quality of all services provided by all individuals who perform their duties in the organization or under this board's sponsorship. To do this, the board must:

- Approve a system-wide quality assurance plan for all units.
- Make sure that there are explicit quality-assurance improvement targets set and met for all units of the system.
- Monitor organizational performance to ensure fulfillment of the system's commitment to quality.
- Take corrective action, when appropriate and necessary, to address quality performance.
- Recognize that the quality of services must be closely related to strategic planning and financial oversight responsibilities.



### Setting Strategic Direction/Mission Oversight

The board has the responsibility to recommend the future direction the organization will take to meet the community's health needs. To fulfill this responsibility, the board must:

- Review and approve a comprehensive system-wide strategic plan and supportive policy statements.
- Ensure that the system's strategic plan is consistent with the mission.
- Ensure that the system plan reflects the needs and concerns of subsidiaries and that they understand their role in implementation.
- Monitor the programs and initiatives of subsidiaries to ensure consistency with overall system strategy.
- Assess the extent to which the entire organization meets its goals and objectives.
- Periodically review, discuss, and amend the strategic plan to ensure its relevance.

### Self-Assessment & Development

A board must assume responsibility for itself—its own effective and efficient performance. To discharge its stewardship responsibilities to its "owners," the board must:

- Annually evaluate the system board's performance and ensure that each subsidiary board annually evaluates its own performance.
- Evaluate board performance of individual system board members to determine the appropriateness of continued service on the board.
- Maintain and update policy statements regarding roles, responsibilities, duties, and job descriptions for itself, its members, officers, and committees.
- Participate both as a board and as individuals in orientation programs and continuing education programs.

### Management Oversight

The board is the final authority regarding oversight of management performance by the system CEO and support staff. To exercise this authority, the board must:

- Recruit, employ, and evaluate the performance of the system CEO.
- Evaluate the performance of the system CEO annually using goals and objectives agreed upon with him or her at the beginning of the evaluation cycle.
- Communicate regularly with the system CEO regarding the board's goals, expectations, and concerns.
- Periodically survey system CEO employment arrangements at comparable organizations to ensure the reasonableness and competitiveness of his or her compensation package.
- Periodically review the system and subsidiary top management succession plans to ensure leadership continuity.

- Establish specific performance policies that provide the system CEO with a clear understanding of what the board expects and update these policies based on changing conditions.

### Advocacy

The board needs to focus on advocacy and lobbying around public policy issues. In order to take an activist role, the board must:

- Ensure that its subsidiaries each conduct a periodic community health needs assessment to understand the health issues of the communities served.
- Set goals for the organization around the issue of public advocacy.
- Ensure that its subsidiaries each establish a policy that spells out the subsidiary board's role in fund development and philanthropy efforts.

Finally, the board is responsible for managing its own governance affairs in an efficient and effective way. To fulfill this responsibility, the board must:

- Maintain written conflict-of-interest policies that include guidelines for the resolution of existing or apparent conflicts of interest, the organization's definition of an independent director, and disabling guidelines.<sup>8</sup>
- Periodically review the board's own structure to assess appropriateness of size, diversity, committees, tenure, and turnover of officers and chairpersons.
- Ensure that each board member understands and agrees to maintain confidentiality with regard to information discussed by the boards and their committees.
- Maintain efficient and timely communication with subsidiary boards.
- Adopt, amend, and, if necessary, repeal the articles and bylaws of the parent organization and its subsidiaries.
- Maintain an up-to-date board policy manual, which includes specific policies covering its specific duties of care, loyalty, and obedience, and its oversight responsibilities in the areas of finance, quality, strategic planning, self-assessment and development, management oversight, and advocacy.

8 The IRS recommends that a not-for-profit board maintain a majority of "independent" directors. See Part VI. Governance, Management, and Disclosure in the 2008 filing instructions for the Form 990 for the IRS's definition of an independent director. For a sample definition of an independent director and sample disabling guidelines, see *Emerging Standards for Institutional Integrity: A Tipping Point for Charitable Organizations*, The Governance Institute (white paper), Fall 2006.

## Hospital Board of Directors within a System

### Core Responsibilities

A governing board, whether a freestanding hospital board or a hospital board within a system, must fulfill certain core or fundamental responsibilities in overseeing the efforts of the organization. These responsibilities cluster around six major areas:<sup>9</sup>

1. Financial Oversight
2. Quality Oversight
3. Setting Strategic Direction/Mission Oversight
4. Self-Assessment & Development
5. Management Oversight
6. Advocacy

The board fulfills these responsibilities by adopting specific outcome targets against which to measure the organization's performance. To accomplish this, the board must:

- Establish policy guidelines and criteria for implementing the mission statement. Also, review the mission statements of subsidiary units to ensure that they are consistent with the system mission.
- Evaluate proposals brought to the board to ensure that they are consistent with the hospital and system mission statement.
- Monitor programs and activities of the hospital to ensure mission consistency.
- Periodically review, discuss, and amend the mission statement if necessary to ensure its relevance.

### Financial Oversight

The board has responsibility for the financial soundness of the organization. To accomplish this the board must:

- Review and approve overall financial policies and plans for the organization.
- Receive and review financial reports to assess actual performance compared to projections.
- Review and adopt ethical financial policies and guidelines.
- Review major capital plans proposed for the organization.
- Ensure that financial plans and policies are consistent with the system's policies.

### Quality Oversight

This board has the delegated responsibility to assess the quality of all services provided by all individuals who perform their duties

9 In certain hospitals, some or all of the responsibilities of financial oversight, quality oversight, strategic planning, and management oversight may be delegated by the system or parent board. We urge you to consider your parent-subsidiary relationship as you adapt this job description to fit your organization.

in this facility or under this board's sponsorship. To do this, the board must:

- Make quality of care and patient safety top priorities for the organization.
- Approve and oversee quality improvement initiatives recommended by senior management and the medical staff.
- Understand and accept responsibility for the actions of all physicians, nurses, and other individuals who perform their duties in the organization's facilities.
- Review and carefully discuss quality reports that provide comparative statistical data about services, and set measurable policy targets to ensure continual improvement in quality performance.
- Carefully review recommendations of the medical staff regarding new physicians who wish to practice in the organization and approve these recommendations if appropriate.
- Reappoint individuals to the medical staff using comparative outcome data to evaluate how they have performed since their last appointment.
- Appoint physicians to governing body committees and seek physician participation in the governance process to assist the board in patient quality-assessment responsibilities.
- Fully understand the board's responsibilities and relationships with the medical staff and maintain effective mechanisms for communicating with them.
- Regularly receive and discuss malpractice data reflecting the organization's experience and that of individual physicians who have been appointed to the medical staff.
- Regularly receive and discuss data about medical staff to assure that future staffing will be adequate in terms of ages, numbers, specialties, and other demographic characteristics.
- Ensure that management periodically reviews and assesses the attitudes and opinions of those who work in the organization to identify strengths, weaknesses, and opportunities for improvement.
- Monitor programs and services to ensure that they comply with system-wide policies and standards relating to quality.
- Take corrective action to improve quality performance when appropriate and/or necessary.

### **Setting Strategic Direction/Mission Oversight**

The board has the responsibility to recommend the future direction the organization will take to meet the community's health needs. To fulfill this responsibility, the board must:

- Adopt a mission statement that is consistent with and supportive of the system's mission statement.
- Review proposals for major programs and services to ensure they are consistent with the hospital's mission.

- Review and approve a comprehensive strategic plan and supportive policy statements consistent with and supportive of the system's strategic plan and the board's policies.
- Regularly review progress toward meeting goals in the strategic plan to assure that the board is attaining its mission.
- Periodically review, discuss, and amend the strategic plan to ensure its relevance.

### **Self-Assessment & Development**

A board must assume responsibility for itself—its own effective and efficient performance. To discharge its stewardship responsibilities to its "owners," the board must:

- Participate annually in a formal board evaluation process.
- Evaluate board performance of individual board members to determine the appropriateness of continued service on the board.
- Maintain and update policy statements regarding roles, responsibilities, duties, and job descriptions for itself and its members, officers, and committees.
- Participate both as a board and as individuals in orientation programs and continuing education programs.

### **Management Oversight**

This board is involved in overseeing the performance of the CEO and support staff. To do this, the board must: (In some hospitals, this responsibility has been delegated by the system board.)

- Support and assist the CEO to help achieve the organization's mission.
- Communicate regularly with the CEO regarding goals, expectations, and concerns.
- Evaluate the performance of the CEO annually using goals and objectives agreed upon with him or her at the beginning of the evaluation cycle.
- Periodically survey CEO employment arrangements at comparable organizations to ensure the reasonableness and competitiveness of his or her compensation package.
- Periodically review management succession plans to ensure leadership continuity.
- Establish specific performance policies that provide the CEO with a clear understanding of what the board expects, and update these policies based on changing conditions.

### **Advocacy**

The board needs to focus on advocacy and lobbying around public policy issues. In order to take an activist role, the board must:

- Conduct a periodic community health needs assessment to understand the health issues of the communities served.
- Set goals for the organization around the issue of public advocacy.

- Establish a policy that spells out the board’s role in fund development and philanthropy efforts.

Finally, the board is responsible for managing its own governance affairs in an efficient and effective way. To fulfill this responsibility, the board must:<sup>10</sup>

- Maintain written conflict-of-interest policies that include guidelines for the resolution of existing or apparent conflicts of interest, the organization’s definition of an independent director, and disabling guidelines.<sup>11</sup>
- Periodically review the board’s own structure to assess appropriateness of size, diversity, committees, tenure, and turnover of officers and chairpersons.
- Ensure that each board member understands and agrees to maintain confidentiality with regard to information discussed by the board and its committees.
- Maintain efficient and timely communication with the system board.
- Adopt, amend, and, if necessary, repeal the articles and bylaws of the organization.
- Maintain an up-to-date board policy manual, which includes specific policies covering its specific duties of care, loyalty, and obedience, oversight responsibilities in the areas of finance, quality, strategic planning, self-assessment and development, management oversight, and advocacy.

## Individual Board Member

### The Fundamental Duty of Oversight

Under the laws of most states, the board of directors of a non-profit organization is the party responsible for the organization. The board must supervise and direct its own officers and govern the organization’s efforts in carrying out its mission. The duties of care, loyalty, and obedience describe the manner in which the directors are required to carry out their fundamental duty of oversight.

10 Some or all of these additional responsibilities may be delegated by the system or parent board. We urge you to consider your parent-subsidiary relationship as you adapt this job description to fit your organization.

11 The IRS recommends that a not-for-profit board maintain a majority of “independent” directors. See Part VI. Governance, Management, and Disclosure in the 2008 filing instructions for the Form 990 for the IRS’s definition of an independent director. For a sample definition of an independent director and sample disabling guidelines, see *Emerging Standards for Institutional Integrity: A Tipping Point for Charitable Organizations*, The Governance Institute (white paper), Fall 2006.

**Duty of Care** requires board members to have knowledge of all reasonably available and pertinent information before taking action. The board member must act in good faith, with the care of an ordinarily prudent businessperson in similar circumstances, and in a manner he or she reasonably believes to be in the best interest of the organization.

**Duty of Loyalty** requires board members to candidly discharge their duties in a manner designed to benefit only the hospital or health system, not the individual interests of the board member. It incorporates the duty to disclose situations that may present a potential for conflict with the organization’s mission, as well as a duty to avoid competition with the organization.

**Duty of Obedience** requires board members to ensure that the organization’s decisions and activities adhere to its fundamental corporate purpose and charitable mission, as stated in its articles of incorporation and bylaws.

Each board member is also entrusted with individual responsibilities as a part of his or her board membership. The obligations of board service are considerable; they extend well beyond the basic expectations of attending meetings or participating in hospital events. Individual board members are expected to meet higher standards of personal conduct on behalf of the organization than what is usually expected of other types of community volunteers.

Yet, despite all of these “special” responsibilities, board members as individuals have no special privileges, prerogatives, or authority. They must meet in formal sessions to negotiate and make corporate decisions.

A clear statement of individual board member responsibilities adapted to the organization’s needs and circumstances can serve at least two purposes:

- It can help with the process of recruiting new board members by clarifying expectations before candidates accept nomination.
- It can provide criteria by which the committee responsible for identifying and recruiting prospective nominees can review the performance of incumbents who are eligible for reelection or reappointment.

### General Expectations

Prospective and incumbent board members should commit themselves with regards to the following:

- Know the organization’s mission, purposes, goals, policies, programs, services, history, strengths, and needs.

- Perform the duties of board membership responsibly and conform to the level of competence expected from board members as outlined in the duties of care, loyalty, and obedience.
- Prepare for the policy discussions and decision making required for governance excellence within the organization.
- Serve in leadership positions and undertake special assignments willingly and enthusiastically.
- Suggest possible nominees to the board who are individuals of achievement and distinction and who can make significant contributions to the work of the board and the organization's progress.
- Avoid prejudiced judgments on the basis of information received from individuals and urge those with grievances to follow established policies and procedures through their supervisors (all matters of potential significance should be called to the attention of the CEO and the board's elected leader as appropriate).
- Avoid asking for special favors of the staff, including special requests for extensive information, without prior consultation with the CEO, board, or appropriate committee chairperson.
- Know the difference between the board's role and the role of the CEO.
- Counsel the CEO as appropriate and support him or her through difficult relationships with groups or individuals.
- Give an annual gift according to personal means.
- Assist the development committees or affiliated foundation and staff by implementing fundraising strategies through personal influence with others (e.g., corporations, individuals, and foundations).
- Participate annually in educational opportunities to remain current on changing trends and issues affecting governance.

### **Meetings**

The board only exists, in both a legal and functional sense, when it meets. Consequently, board meetings are the center of governance. The way they are planned and conducted—in addition to the dynamics that emerge in them—significantly influence the quality of governance. Therefore, individual board members are expected to:

- Prepare for board and committee meetings, including appropriate organizational activities.
- Participate in board and committee meetings with forethought, courtesy, critical thinking and analyses, and attention to results.
- Ask timely and substantive questions at board and committee meetings consistent with the board member's conscience and convictions, while at the same time supporting the majority decision on issues decided by the board.
- Maintain confidentiality of the board's executive sessions, and speak for the board or organization only when authorized to do so.
- Suggest agenda items periodically for board and committee meetings to ensure that significant, policy-related matters are addressed.

### **Conflict of Interest**

Conflict of interest, confidentiality, disclosure—these concepts figure prominently in the understanding of governance responsibilities. They do not tell a board, or an individual director, how to govern; rather, they imply a code of conduct and ethical behavior. In order to prevent using the power, position, or information derived from their situations to influence organizational activities and decisions, individual board members must:

- Fully understand the organization's definition of an independent director and disabling guidelines, and therefore be aware of his/her independence status and limitations in business ventures with or those that directly compete with the organization.
- Serve the organization as a whole rather than any special interest group or constituency. The board member's first obligation is to recognize that he or she represents only the organization's best interests.
- Disclose any possible conflicts to the board in a timely fashion.
- Maintain independence and objectivity and act with a sense of fairness, ethics, and personal integrity, even though you may not be required to do so by law, regulation, or custom.
- Never offer or accept favors or gifts to or from anyone who does business with the organization.



# Appendix 2: Sample Board Agenda



**Memorial Health System**  
**Place: Boardroom**  
**Date: Wednesday, December 1, 201X**  
**Time: 5:00–8:00 P.M.**

<b>Time</b>	<b>Agenda Item</b>	<b>Objective</b>	<b>Presenter</b>	<b>Background Materials</b>
5:00 P.M.	Approval of Minutes and Agenda	Consent	Mr. Jones	Tab A & B
5:05 P.M.	Consent Agenda	Consent	Mr. Jones	Tab C
5:15 P.M.	Quality Oversight Report	Oversight	Ms. Swanson	Tab D
5:45 P.M.	Financial Report	Oversight	Ms. Roberts	Tab E
6:15 P.M.	Break	Break	Break	Break
6:30 P.M.	Joint Venture	Information and Decision	Mr. Sherry	Tab F
7:00 P.M.	Capital Acquisition	Information and Decision	Mr. Sherry/ Ms. Roberts	Tab G, H, I
7:55 P.M.	Meeting Evaluation	Input	Mr. Jones	None
8:00 P.M.	Adjourn			



# Appendix 3: Sample Board Calendar



January	February	March
19 Wed, 4pm: Foundation Board 26 Wed, 12pm: Executive Committee 27 Thu, 4pm: BOARD MEETING	10 Thu, 7:30am: Quality Review 16 Wed, 7:30am: Community Relations 27 Sun, 13pm: Open House (Same Day Surgery) 29 Tue: BOARD ORIENTATION	2 Thu, 4pm: Strategic Planning 9 Thu, 7:30pm: Quality Review 15 Wed, 4pm: Foundation Board 16 Thu, 7:30am: Governance Mtg. 16 Thu, 4pm: Finance Committee
April	May	June
19 Wed, 4pm: Foundation Board 20 Thu, 7:30am: Governance Mtg. 27 Thu, 4pm: Strategic Planning	10 Wed, 7am: Community Relations 11 Thu, 7:30am: Quality Review 17 Wed, 4pm: Foundation Board 18 Thu, 4pm: Finance Committee 22 —Golf Fundraiser 25 Thu, 4pm: BOARD MEETING	8 Thu, 7:30am: Governance Mtg. 15 Thu, 4pm: Strategic Planning 21 Wed, 4pm: Foundation Board
July	August	September
20 Thu, 4pm: Finance Committee 27 Thu, 4pm: BOARD MEETING	2—Gala Fundraiser Hospital Race at the Track	14 Thu, 7:30am: Quality Review 20 Wed, 4pm: Foundation Board 28 Thu, 4pm: BOARD MEETING
October	November	December
4 Wed, 7:30am: Community Relations 18 Wed, 4pm: Foundation Board 19 Thu, 4pm: Finance Committee 26 Thu, 4pm: Strategic Planning (Nominating Committee meets)	9 Thu, 7:30am: Quality Review 15 Wed, 4pm: Foundation Board 30 Thu, 4pm: BOARD MEETING	14 Thu, 4pm: Finance Committee (Approve 201 Budget) 15 Fri, 12pm: Comp. Committee 20 Wed, 4pm: Foundation Board 21 Thu, 4pm: Strategic Planning



# Appendix 4: CMS Current List of “Never Events”



The National Quality Forum (NQF) developed a list of serious reportable adverse events, also known as “never events”—medical errors that are considered so erroneous and harmful that they should never happen. CMS has selected some of these events, which, if they occur, CMS will no longer reimburse hospitals and physicians for the costs of treating patients.

According to CMS, “The NQF defines ‘Never Events’ as errors in medical care that are of concern to both the public and health-care professionals and providers, clearly identifiable and measurable (and thus feasible to include in a reporting system), and of a nature such that the risk of occurrence is significantly influenced by the policies and procedures of the healthcare organization. The Medicare hospital-acquired conditions (HACs) discussed below overlap to some extent with the 28 NQF Never Events, but not all HACs are included in the 28 NQF Never Events.”

The list below contains only the hospital-acquired conditions or “never events” that CMS is no longer reimbursing. The list is current as of October 2012 and will be updated on a frequent basis, so please refer to the CMS Web site ([www.cms.hhs.gov](http://www.cms.hhs.gov)) for the most current list and further information. Also visit [www.qualityforum.org](http://www.qualityforum.org) for the NQF list of all 29 serious reportable adverse events.

- Surgery on a wrong body part
- Surgery on a wrong patient

- Wrong surgery on a patient
- Foreign object inadvertently left in after surgery
- Air embolism
- Blood incompatibility
- Stage III & IV pressure ulcers
- Falls and trauma: fractures, dislocations, intracranial injuries, crushing injuries, burns, electric shock
- Catheter-associated urinary tract infection
- Vascular-catheter associated infection
- Manifestations of poor glycemic control: diabetic ketoacidosis, non-ketotic hyperosmolar coma, hypoglycemic coma, secondary diabetes with ketoacidosis, secondary diabetes with hyperosmolarity
- Surgical site infection—Mediastinitis (infection in the chest) after coronary artery bypass graft surgery
- Surgical site infections following certain orthopedic procedures
- Surgical site infection following bariatric surgery for obesity: laparoscopic gastric bypass, gastroenterostomy, laparoscopic gastric restrictive surgery
- Surgical site infection following cardiac implantable electronic device
- Deep vein thrombosis/Pulmonary Embolism following certain orthopedic procedures: total knee replacement, hip replacement
- Iatrogenic Pneumothorax with venous catheterization



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