

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**THE BALL PAVILION
(a nonprofit organization)**

June 30, 2018 and 2017

The Ball Pavilion

Independent auditor's Report and Financial Statements

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Ball Pavilion

Report on the Financial Statements

I have audited the accompanying financial statements of The Ball Pavilion (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ball Pavilion as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CERTIFIED PUBLIC ACCOUNTANT

Email: seancpa@seancpa.com
www.seancpa.com

513 Lincoln Avenue
Erie, Pennsylvania 16505.2451
Telephone: 814.455.3089
Facsimile: 814.455.7646

Board of Directors
The Ball Pavilion

SEAN T. SULLIVAN, CPA, PC
www.seancpa.com

Other Reporting Required by "Government Auditing Standards"

In accordance with *Government Auditing Standards*, I have also issued my report dated October 23, 2018, on my consideration of The Ball Pavilion's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Ball Pavilion's internal control over financial reporting and compliance.

SEAN T. SULLIVAN, CPA, PC

SEAN T. SULLIVAN, CPA, PC

October 23, 2018
Erie, Pennsylvania

NOTES TO FINANCIAL STATEMENTS

The Ball Pavilion

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Ball Pavilion (the Organization) operates a supervised nursing home facility and a community-based, semi-independent, personal care living facility.

2. Reporting Entities

These financial statements include the accounts of The Ball Pavilion, Barnabas Court North and Barnabas Court South, affiliated to Brevillier Village Foundation, Inc. and Conrad House through common management. All material inter-entity transactions have been eliminated.

3. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

4. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Inventories

Inventories are recorded at cost and consist of medical and non-chargeable operating supplies.

6. Long-Term Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the *Statements of Financial Positions*. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

7. Property and Equipment and Related Depreciation

The Organization does not maintain a specific capitalization policy, but evaluates items to be capitalized on an individual purchase basis. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows – Buildings 40 years; Furniture and fixtures 5-10 years; Improvements 5-20 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is reflected in operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and improvements are capitalized.

8. Real Estate Taxes

The various taxing bodies overseeing the taxability of the Organization's real estate had resolved that the Organization was fully exempt from real estate taxes. However, the Erie County Board of Tax Assessment Appeals challenged the real estate tax exemption of certain not-for-profit organizations in

The Ball Pavilion

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES [continued]

8. Real Estate Taxes [continued]

taxing authorities to pay fifty percent of its real estate tax assessments.

9. Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income is expendable for the support of certain residents.

10. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor, or other third party, restrictions. Revenue and support that is restricted by the donor, or other third-party, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when the stipulated time restriction ends or the purpose of the restriction expires, whether or not in the reporting period in which the support is recognized), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

11. Patient Service Revenue

Patient service revenue is recorded at rates established by the Board of Directors for services rendered to all patients. Since a portion of the service fees are provided for under Medicare, Medicaid and private insurance, payments for services covered by these cost-based programs may generally be less than the amounts recorded at the established rates. Contractual allowances are recorded to reduce the recorded revenue for service fees not reimbursed by Medicare, Medicaid and private insurance companies. Final determination of amounts to be reimbursed is made by the respective administrative agencies, at which time adjustments are made to the recorded revenue as contractual allowances.

12. Promises to Give, Gifts and Bequests

Unconditional promises to give, gifts and bequests are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized when conditions on which they depend are substantially met. Promises to give, gifts and bequests, including property and equipment, are recorded at quoted or estimated fair market value at the date recognized.

13. Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the *Statements of Activities*. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

14. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Ball Pavilion

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

NOTE A - NATURE ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES [continued]

15. Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received 3,704 volunteer hours for the year ended June 30, 2018 and 4,059 volunteer hours for the year ended June 30, 2017.

16. Pension Plan

The Organization participates in an employer non-matching, salary reduction plan under Internal Revenue Code Section 401(k) maintained by Brevillier Village Foundation, Inc. The plan covers all employees who have completed two years of service and attained age twenty-one. Annual contributions to the plan equal three-percent of each eligible employee's compensation. Pension contributions amounted to \$112,983 for the year ended June 30, 2018 and \$132,878 for the year ended June 30, 2017.

17. Concentration of Credit Risks

The Organization maintains cash and investment trust balances at several financial institutions. The cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account holder. The investment trust balances are not insured by the FDIC, but may include United States Government Obligations that are guaranteed by the federal government. Amounts in excess of insured limits or guaranteed by the United States government or its agencies, were approximately \$1,400,201 as of June 30, 2018 and \$1,142,115 as of June 30, 2017.

18. Income Taxes

The Ball Pavilion qualifies as an organization exempt from federal and state income tax under Internal Revenue Code (IRC) Section 501(c)(3). However, any income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2). The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2018, 2017, 2016 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

NOTE B - INVENTORIES

Inventories consist of -

	As of June 30,	
	2018	2017
Medical supplies	\$ 22,710	\$ 28,037
Non-chargeable supplies	39,679	28,494
	<u>\$ 62,389</u>	<u>\$ 56,531</u>

The Ball Pavilion

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consists of –

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 86,098	\$ 86,098
Land improvements	1,031,762	977,522
Buildings	7,687,240	7,656,889
Fixed equipment	2,903,124	2,812,884
Furniture and equipment	2,148,719	2,115,218
Vehicles	89,186	89,186
Construction in progress	148,272	37,430
	<u>14,094,401</u>	<u>13,775,227</u>
Less accumulated depreciation	<u>12,217,380</u>	<u>11,866,006</u>
	<u>\$ 1,877,021</u>	<u>\$ 1,909,221</u>

NOTE D - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying *Statements of Financial Position*. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

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

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
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Level 2	Inputs to the valuation methodology include <ul style="list-style-type: none">○ quoted prices for similar assets or liabilities in active markets;○ quoted prices for identical or similar assets or liabilities in inactive markets;○ inputs other than quoted prices that are observable for the asset or liability;
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The Ball Pavilion

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

NOTE D - FAIR VALUE MEASUREMENTS [continued]

Level 2 ○ inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Level 1 – Fair Value Measurement - The Organization has measured fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The fair value of all investments are based on quoted net asset values of the shares held by the Organization at year-end.

The following tables sets forth, by level within the fair value hierarchy, the Organization’s investments at fair value as of –

	Fair value measurement as of June 30, 2018 using -			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Observable Inputs other than quoted markets (Level 2)	Unobservable Inputs (Level 3)
Common equity funds	\$ 969,010	\$ 969,010	\$ -	\$ -
Common fixed income funds	418,278	418,278	-	-
Money market funds and cash	42,191	42,191	-	-
	<u>\$ 1,429,479</u>	<u>\$ 1,429,479</u>	<u>\$ -</u>	<u>\$ -</u>

The Ball Pavilion

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

NOTE D - FAIR VALUE MEASUREMENTS [continued]

	Fair value measurement as of June 30, 2017 using -			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Observable Inputs other than quoted markets (Level 2)	Unobservable Inputs (Level 3)
Common equity funds	\$ 908,536	\$ 908,536	\$ -	\$ -
Common fixed income funds	431,480	431,480	-	-
Money market funds and cash	37,482	37,482	-	-
	<u>\$ 1,377,498</u>	<u>\$ 1,377,498</u>	<u>\$ -</u>	<u>\$ -</u>

Change in fair value of the Organization's Level 1 investments consist of –

	For the year ended June 30,	
	2018	2017
Fair value at beginning of year	\$ 1,377,498	\$ 1,337,613
Interest and dividends	53,226	40,352
Net realized gains (losses)	10,448	67,504
Net unrealized gains (losses)	39,217	45,352
Investment fees	(16,542)	(15,676)
Withdrawals	(34,368)	(97,647)
Fair value at end of year	<u>\$ 1,429,479</u>	<u>\$ 1,377,498</u>

NOTE E - LONG-TERM INVESTMENTS

Investment revenue from long-term investments consists of –

	For the year ended June 30, 2018		
	Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ -	\$ 53,226	\$ 53,226
Net realized gains (losses)	-	10,448	10,448
Net unrealized gains (losses)	-	39,217	39,217
	-	102,891	102,891
Less investment fees	-	(16,542)	(16,542)
	<u>\$ -</u>	<u>\$ 86,349</u>	<u>\$ 86,349</u>

The Ball Pavilion

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

NOTE E - LONG-TERM INVESTMENTS [continued]

	<u>For the year ended June 30, 2017</u>		
Interest and dividends	\$ -	\$ 40,352	\$ 40,352
Net realized gains (losses)	-	67,504	67,504
Net unrealized gains (losses)	-	45,353	45,353
	-	153,209	153,209
Less investment fees	-	(15,676)	(15,676)
	<u>\$ -</u>	<u>\$ 137,533</u>	<u>\$ 137,533</u>

NOTE F - LINE-OF-CREDIT

In October 2013, the Ball Pavilion, Inc. established a \$500,000 variable rate, line-of-credit. Interest is payable monthly. Brevillier Village Foundation, Inc. is a guarantor of the line-of-credit up to a maximum liability of \$1,200,000. The line-of-credit is collateralized by certain long-term investment of Brevillier Village Foundation, Inc., and any assets assigned to the Lender or to which the Lender acquires title (of which there are none as of June 30, 2017 or 2016).

NOTE G - LONG-TERM DEBT

Long-term debt consists of –

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
4.75% Bank mortgage, due 2018, payable in monthly installments of \$29,550 including interest.	\$ 59,617	\$ 402,579
Less current maturities	59,617	327,061
	<u>\$ -</u>	<u>\$ 75,518</u>

Future maturities of long-term debt consist of -

For the year ending June 30,	
2019	<u>\$ 59,617</u>

The Organization is also a named borrower on a variable rate bank mortgage recorded on the financial statements of an affiliated entity (Conrad House), with principal and interest payable monthly maturing February 01, 2039. The outstanding debt was \$3,672,999 as of June 30, 2017 and \$3,756,473 as of June 30, 2017. The loan agreement contains several covenants related to (i) maintenance of a restricted replacement reserve account recorded on Conrad House's financial statements; (ii) minimum debt service coverage as of the last day of each fiscal year, on a consolidated basis of all the borrowers (Conrad House,

The Ball Pavilion

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

NOTE G - LONG-TERM DEBT [continued]

Brevillier Village Foundation Inc., Ball Pavilion): and (iii) restrictions on additional third-party borrowings exceeding \$100,000 without the prior written consent of the Bank.

NOTE H - TRANSACTIONS WITH AFFILIATES

The Organization is affiliated through common management with Brevillier Village Foundation, Inc., Brevillier Trust and Conrad House. The receivables - affiliate and accounts payable - affiliate at June 30, 2018 and 2017 are with Brevillier Village Foundation, Inc. and Conrad House. The Ball Pavilion operates under a management agreement with Brevillier Village Foundation, Inc. which provides management and financial support. Included in the administrative expense for the year ended June 30, 2018 and 2017 are the following charges from Brevillier Village Foundation, Inc. under the terms of the agreement –

	<u>Years ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
The Ball Pavilion	\$ 810,740	\$ 796,795
Barnabas Court North	201,935	196,828
Barnabas Court South	125,961	117,614
	<u>\$ 1,138,636</u>	<u>\$ 1,111,237</u>

NOTE I - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 23, 2018, the date which the financial statements are available to be issued.

FINANCIAL STATEMENTS

The Ball Pavilion

STATEMENTS OF FINANCIAL POSITION

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents (Notes A4., A17.)	\$ 106,281	\$ 89,559
Receivables, net		
Residents and other (net of allowance for doubtful accounts of \$20,201)	845,442	680,139
Third party payers	571,560	582,931
Affiliated entities (Notes H)	3,488,597	3,736,563
Inventories, at cost (Notes A5. and B)	62,389	56,531
Prepaid items	18,410	86,730
Resident funds	10,124	10,700
Tenant security deposits	83,299	82,109
Property and equipment, net (Notes A7., C, G)	1,877,021	1,909,221
Long-term investments (Notes A6. D, E, F)	1,429,479	1,377,498
	<u>1,429,479</u>	<u>1,377,498</u>
Total assets	<u>\$ 8,492,602</u>	<u>\$ 8,611,981</u>
LIABILITIES		
Current maturities - long-term debt (Note G)	\$ 59,617	\$ 327,061
Line-of-credit (Note F)	-	-
Due to affiliated entities (Note H)	8,454,024	8,292,482
Resident funds	10,321	10,863
Deferred revenue	634,553	639,359
Accrued expense	-	-
Tenant security deposits	83,299	82,109
Long-term debt (Note G)	-	75,518
	<u>-</u>	<u>75,518</u>
Total liabilities	<u>9,241,814</u>	<u>9,427,392</u>
NET ASSETS		
Unrestricted	(2,178,691)	(2,192,909)
Permanently restricted (Note A9.)	1,429,479	1,377,498
	<u>1,429,479</u>	<u>1,377,498</u>
Total net assets	<u>(749,212)</u>	<u>(815,411)</u>
Total liabilities and net assets	<u>\$ 8,492,602</u>	<u>\$ 8,611,981</u>

The Ball Pavilion

STATEMENTS OF ACTIVITIES

	For the year ended June 30,					
	2018			2017		
	Unrestricted	Permanently restricted	Total	Unrestricted	Permanently restricted	Total
Support and Revenue						
Net service revenue (Note A11.)	\$ 10,672,802	\$ -	\$ 10,672,802	\$ 10,382,255	\$ -	\$ 10,382,255
Investment revenue, net of fees	4,438	86,349	90,787	1,807	137,533	139,340
Other resident charges	38,010	-	38,010	40,439	-	40,439
Other revenue	18,274	-	18,274	12,608	-	12,608
Total support and revenue	<u>10,733,524</u>	<u>86,349</u>	<u>10,819,873</u>	<u>10,437,109</u>	<u>137,533</u>	<u>10,574,642</u>
Expenses						
Program Services						
Nursing care	6,445,888	-	6,445,888	6,446,292	-	6,446,292
Personal care	2,798,294	-	2,798,294	2,597,002	-	2,597,002
Supporting Services						
Management and general	<u>1,509,492</u>	<u>-</u>	<u>1,509,492</u>	<u>1,484,927</u>	<u>-</u>	<u>1,484,927</u>
Total expenses	<u>10,753,674</u>	<u>-</u>	<u>10,753,674</u>	<u>10,528,221</u>	<u>-</u>	<u>10,528,221</u>
Change in net assets before releases from restrictions	(20,150)	86,349	66,199	(91,112)	137,533	46,421
Net assets released from restrictions	<u>34,368</u>	<u>(34,368)</u>	<u>-</u>	<u>97,648</u>	<u>(97,648)</u>	<u>-</u>
CHANGE IN NET ASSETS	14,218	51,981	66,199	6,536	39,885	46,421
Unrestricted net assets at beginning of year	(2,192,909)	<u>1,377,498</u>	(815,411)	(2,199,445)	<u>1,337,613</u>	(861,832)
Unrestricted net assets at end of year	<u>(\$ 2,178,691)</u>	<u>\$ 1,429,479</u>	<u>(\$ 749,212)</u>	<u>(\$ 2,192,909)</u>	<u>\$ 1,377,498</u>	<u>(\$ 815,411)</u>

The accompanying *Notes to Financial Statements* are an integral part of these financial statements.

The Ball Pavilion

STATEMENTS OF FUNCTIONAL EXPENSES

	For the year ended June 30,							
	2018				2017			
	Program Services		Support Services		Program Services		Support Services	
	Nursing Care	Personal Care	Management and General	Total	Nursing Care	Personal Care	Management and General	Total
Salaries and employee benefits								
Salaries	\$ 3,913,083	\$ 1,686,750	\$ 222,751	\$ 5,822,584	\$ 3,965,515	\$ 1,523,948	\$ 223,320	\$ 5,712,783
Taxes and employee benefits	744,127	310,248	42,552	1,096,927	776,431	281,862	43,511	1,101,804
	<u>4,657,210</u>	<u>1,996,998</u>	<u>265,303</u>	<u>6,919,511</u>	<u>4,741,946</u>	<u>1,805,810</u>	<u>266,831</u>	<u>6,814,587</u>
Other Operating Expenses								
Professional and outside services	315,805	15,487	7,699	338,991	232,143	19,657	1,985	253,785
Utilities	131,889	137,160	-	269,049	128,639	132,181	-	260,820
Maintenance and supplies	191,080	136,899	13,195	341,174	197,041	122,066	12,963	332,070
Food	246,015	161,400	-	407,415	245,055	189,798	-	434,853
Medical supplies	357,995	19,124	-	377,119	363,131	25,649	-	388,780
Other supplies	146,522	113,991	6,011	266,524	125,246	92,641	8,320	226,207
Insurance	41,189	35,976	4,213	81,378	47,241	42,439	3,945	93,625
Dues and meetings	17,598	-	11,632	29,230	11,588	-	14,185	25,773
Telephone	2,008	-	1,188	3,196	2,244	-	2,216	4,460
Management fee (Note F)	-	-	683,182	683,182	-	-	666,735	666,735
Financial service fee (Note F)	-	-	455,454	455,454	-	-	444,502	444,502
Printing and advertising	-	-	37,813	37,813	-	-	42,366	42,366
Office expense	47,058	-	21,161	68,219	46,290	-	18,895	65,185
Beauty and barber expense	907	655	-	1,562	375	384	-	759
Miscellaneous	6,707	1,972	2,641	11,320	4,677	1,607	1,984	8,268
	<u>1,504,773</u>	<u>622,664</u>	<u>1,244,189</u>	<u>3,371,626</u>	<u>1,403,670</u>	<u>626,422</u>	<u>1,218,096</u>	<u>3,248,188</u>
Real estate taxes (Note A8.)	71,121	28,401	-	99,522	68,830	27,912	-	96,742
Depreciation	201,143	150,231	-	351,374	204,305	136,858	-	341,163
	<u>6,434,247</u>	<u>2,798,294</u>	<u>1,509,492</u>	<u>10,742,033</u>	<u>6,418,751</u>	<u>2,597,002</u>	<u>1,484,927</u>	<u>10,500,680</u>
Interest	11,641	-	-	11,641	27,541	-	-	27,541
Total expenses	<u>\$ 6,445,888</u>	<u>\$ 2,798,294</u>	<u>\$ 1,509,492</u>	<u>\$ 10,753,674</u>	<u>\$ 6,446,292</u>	<u>\$ 2,597,002</u>	<u>\$ 1,484,927</u>	<u>\$ 10,528,221</u>

The accompanying *Notes to Financial Statements* are an integral part of these financial statements.

The Ball Pavilion

STATEMENTS OF CASH FLOWS

	For the year ended June 30,	
	2018	2017
<i>Cash flows from operating activities -</i>		
Change in net assets	\$ 66,199	\$ 46,421
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	351,374	341,163
Net realized and unrealized (appreciation) depreciation of long-term investments	(49,665)	(112,857)
(Increase) decrease in receivables	94,034	797,714
(Increase) decrease in inventories	(5,858)	14,423
(Increase) decrease in prepaid items	68,320	(69,469)
(Increase) decrease in payables	161,542	(607,198)
(Increase) decrease in deferred revenue	(4,806)	58,868
(Increase) decrease in accrued expenses	-	(3,432)
Net cash provided by operating activities	681,140	465,633
<i>Cash flows from investing activities -</i>		
Net capital expenditures	(319,174)	(244,002)
Net (additions to) reductions in resident funds	34	(62)
Net (additions to) reductions in resident security deposits	-	-
Net (additions to) reductions in long-term investments	(2,316)	72,972
Net cash used in investing activities	(321,456)	(171,092)
<i>Cash flows from financing activities -</i>		
Payments on long-term debt	(342,962)	(327,061)
Net cash used in financing activities	(342,962)	(327,061)
Net increase (decrease) in cash and cash equivalents	16,722	(32,520)
Cash and cash equivalents at beginning of year	89,559	122,079
Cash and cash equivalents at end of year	<u>\$ 106,281</u>	<u>\$ 89,559</u>
<i>Supplemental data -</i>		
Interest paid	\$ 11,641	\$ 27,541

***INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION***

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
The Ball Pavilion

I have audited the financial statements of The Ball Pavilion, which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated October 23, 2018, which contained an unmodified opinion on those financial statements. My audits were performed for the purpose of forming an opinion on the financial statements as a whole. The following supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SEAN T. SULLIVAN, CPA, PC

SEAN T. SULLIVAN, CPA, PC

October 23, 2018

SUPPLEMENTAL INFORMATION

The Ball Pavilion

COMBINING SCHEDULES OF FINANCIAL POSITION

	As of June 30,					
	2018					2017
	The Ball Pavilion	Barnabas Court North	Barnabas Court South	Eliminations	Total	Total
ASSETS						
Cash and equivalents	\$ 77,774	\$ 30,570	(\$ 2,063)	\$ -	\$ 106,281	\$ 89,559
Receivables, net						
Residents and other	712,841	89,279	43,322	-	845,442	680,139
Third party payers	571,560	-	-	-	571,560	582,931
Affiliated entities	47,874	509,808	4,251,055	(1,320,140)	3,488,597	3,736,563
Inventories, at cost	-	62,389	-	-	62,389	56,531
Prepaid items	14,256	1,862	2,292	-	18,410	86,730
Resident funds	6,561	3,563	-	-	10,124	10,700
Tenant security deposits	-	40,628	42,671	-	83,299	82,109
Property and equipment, net	1,084,317	310,625	482,079	-	1,877,021	1,909,221
Long-term investments	1,429,479	-	-	-	1,429,479	1,377,498
Total assets	<u>\$ 3,944,662</u>	<u>\$ 1,048,724</u>	<u>\$ 4,819,356</u>	<u>(\$ 1,320,140)</u>	<u>\$ 8,492,602</u>	<u>\$ 8,611,981</u>
LIABILITIES						
Current maturities of long-term debt	\$ 59,617	\$ -	\$ -	\$ -	\$ 59,617	\$ 327,061
Due to affiliated entities	5,953,558	3,789,908	30,698	(1,320,140)	8,454,024	8,292,482
Resident funds	6,758	3,563	-	-	10,321	10,863
Deferred revenue	323,930	195,591	115,032	-	634,553	639,359
Accrued expense	-	-	-	-	-	-
Tenant security deposits	-	40,628	42,671	-	83,299	82,109
Long-term debt	-	-	-	-	-	75,518
Total liabilities	<u>6,343,863</u>	<u>4,029,690</u>	<u>188,401</u>	<u>(1,320,140)</u>	<u>9,241,814</u>	<u>9,427,392</u>
NET ASSETS						
Unrestricted	(3,828,680)	(2,980,966)	4,630,955	-	(2,178,691)	(2,192,909)
Permanently restricted	1,429,479	-	-	-	1,429,479	1,377,498
Total net assets	<u>(2,399,201)</u>	<u>(2,980,966)</u>	<u>4,630,955</u>	<u>-</u>	<u>(749,212)</u>	<u>(815,411)</u>
Total liabilities and net assets	<u>\$ 3,944,662</u>	<u>\$ 1,048,724</u>	<u>\$ 4,819,356</u>	<u>(\$ 1,320,140)</u>	<u>\$ 8,492,602</u>	<u>\$ 8,611,981</u>

See Independent Auditor's Report on Supplemental Information .

The Ball Pavilion

COMBINING SCHEDULES OF UNRESTRICTED ACTIVITIES

	For the year ended June 30,					2017
	2018					
	The Ball Pavilion	Barnabas Court North	Barnabas Court South	Eliminations	Total	
Support and Revenue						
Net service revenue	\$ 7,192,918	\$ 2,214,718	\$ 1,265,166	\$ -	\$ 10,672,802	\$ 10,382,255
Investment revenue, net of fees	4,385	53	-	-	4,438	1,807
Other resident charges	13,535	9,954	14,521	-	38,010	40,439
Other revenue	3,734	3,301	11,239	-	18,274	12,608
	<u>7,214,572</u>	<u>2,228,026</u>	<u>1,290,926</u>	<u>-</u>	<u>10,733,524</u>	<u>10,437,109</u>
Expenses						
Salaries and employee benefits	4,848,839	1,466,552	604,120	-	6,919,511	6,814,587
Other operating expenses	2,379,759	580,487	411,380	-	3,371,626	3,248,188
	<u>7,228,598</u>	<u>2,047,039</u>	<u>1,015,500</u>	<u>-</u>	<u>10,291,137</u>	<u>10,062,775</u>
Net operating revenue before other operating expenses	(14,026)	180,987	275,426	-	442,387	374,334
Real estate taxes	71,121	12,670	15,731	-	99,522	96,742
Depreciation and amortization	201,143	78,744	71,487	-	351,374	341,163
Net operating revenue (expense)	(286,290)	89,573	188,208	-	(8,509)	(63,571)
Interest expense	11,641	-	-	-	11,641	27,541
Change in net assets before release of restrictions	(297,931)	89,573	188,208	-	(20,150)	(91,112)
Net assets released from restrictions	34,368	-	-	-	34,368	97,648
CHANGE IN NET ASSETS	(263,563)	89,573	188,208	-	14,218	6,536
Unrestricted net assets at beginning of year	(3,565,117)	(3,070,539)	4,442,747	-	(2,192,909)	(2,199,445)
Unrestricted net assets at end of year	<u>(\$ 3,828,680)</u>	<u>(\$ 2,980,966)</u>	<u>\$ 4,630,955</u>	<u>\$ -</u>	<u>(\$ 2,178,691)</u>	<u>(\$ 2,192,909)</u>

See Independent Auditor's Report on Supplemental Information .

The Ball Pavilion

COMBINING SCHEDULES OF UNRESTRICTED EXPENSE

	For the year ended June 30,					2017
	2018					
	The Ball Pavilion	Barnabas Court North	Barnabas Court South	Eliminations	Total	
Salaries and employee benefits						
Salaries	\$ 4,074,235	\$ 1,236,287	\$ 512,062	\$ -	\$ 5,822,584	\$ 5,712,783
Taxes and employee benefits	774,604	230,265	92,058	-	1,096,927	1,101,804
	<u>4,848,839</u>	<u>1,466,552</u>	<u>604,120</u>	<u>-</u>	<u>6,919,511</u>	<u>6,814,587</u>
Other Operating Expenses						
Professional and outside services	321,747	12,572	4,672	-	338,991	253,785
Utilities	131,889	73,285	63,875	-	269,049	260,820
Maintenance and supplies	204,275	60,951	75,948	-	341,174	332,070
Food	246,015	102,770	58,630	-	407,415	434,853
Medical supplies	357,995	16,914	2,210	-	377,119	388,780
Other supplies	152,533	70,189	43,802	-	266,524	226,207
Insurance	45,402	16,902	19,074	-	81,378	93,625
Dues and meetings	25,329	2,045	1,856	-	29,230	25,773
Telephone	2,658	269	269	-	3,196	4,460
Management fee	486,444	121,161	75,577	-	683,182	666,735
Financial service fee	324,296	80,774	50,384	-	455,454	444,502
Printing and advertising	11,740	14,571	11,502	-	37,813	42,366
Office expense	61,822	4,788	1,609	-	68,219	65,185
Beauty and barber expense	907	655	-	-	1,562	759
Miscellaneous	6,707	2,641	1,972	-	11,320	8,268
	<u>2,379,759</u>	<u>580,487</u>	<u>411,380</u>	<u>-</u>	<u>3,371,626</u>	<u>3,248,188</u>
Real estate taxes	71,121	12,670	15,731	-	99,522	96,742
Depreciation	201,143	78,744	71,487	-	351,374	341,163
	7,500,862	2,138,453	1,102,718	-	10,742,033	10,500,680
Interest	11,641	-	-	-	11,641	27,541
Total expenses	<u>\$ 7,512,503</u>	<u>\$ 2,138,453</u>	<u>\$ 1,102,718</u>	<u>\$ -</u>	<u>\$ 10,753,674</u>	<u>\$ 10,528,221</u>
			2017			
Total expenses	<u>\$ 7,499,218</u>	<u>\$ 1,986,065</u>	<u>\$ 1,042,938</u>	<u>\$ -</u>	<u>\$ 10,528,221</u>	

The Ball Pavilion

THE BALL PAVILION - Schedules of Unrestricted Departmental Expense

	For the year ended June 30,										
	2018									2017	
	Intermediate Care	Director of Nursing	Dietary	Housekeeping	Auxiliary Services	Social Services	Rehabilitation Services	Administrative	Property Maintenance	Total	Total
Salaries and employee benefits											
Salaries	\$ 2,161,122	\$ 250,931	\$ 414,190	\$ 177,502	\$ 88,807	\$ 287,974	\$ 421,406	\$ 161,152	\$ 111,151	\$ 4,074,235	\$ 4,126,573
Taxes and employee benefits	409,980	44,827	79,491	33,068	17,181	55,309	80,931	30,477	23,340	774,604	807,666
	<u>2,571,102</u>	<u>295,758</u>	<u>493,681</u>	<u>210,570</u>	<u>105,988</u>	<u>343,283</u>	<u>502,337</u>	<u>191,629</u>	<u>134,491</u>	<u>4,848,839</u>	<u>4,934,239</u>
Other Operating Expenses											
Professional and outside services	272,919	18,275	8,438	-	11,861	1,820	180	5,942	2,312	321,747	232,994
Utilities	-	-	-	-	-	14,374	-	-	117,515	131,889	128,639
Maintenance and supplies	1,211	-	7,722	451	-	1,201	450	13,195	180,045	204,275	210,004
Food	-	-	246,015	-	-	-	-	-	-	246,015	245,055
Medical supplies	174,387	-	-	-	182,222	-	1,386	-	-	357,995	363,131
Other supplies	34,771	2,791	22,062	50,764	18,500	5,890	-	6,011	11,744	152,533	133,566
Insurance	-	-	-	-	-	-	-	4,213	41,189	45,402	51,186
Dues and meetings	2,365	12,548	125	-	-	1,701	854	7,731	5	25,329	20,101
Telephone	-	240	-	-	-	689	-	650	1,079	2,658	3,682
Management fee	-	-	-	-	-	-	-	486,444	-	486,444	478,077
Financial service fee	-	-	-	-	-	-	-	324,296	-	324,296	318,718
Printing and advertising	-	-	-	-	-	-	-	11,740	-	11,740	13,286
Office expense	-	31,292	2,518	-	-	395	12,853	14,764	-	61,822	60,812
Beauty and barber expense	-	-	-	-	-	907	-	-	-	907	375
Miscellaneous	-	3,519	-	-	-	3,188	-	-	-	6,707	4,677
	<u>485,653</u>	<u>68,665</u>	<u>286,880</u>	<u>51,215</u>	<u>212,583</u>	<u>30,165</u>	<u>15,723</u>	<u>874,986</u>	<u>353,889</u>	<u>2,379,759</u>	<u>2,264,303</u>
Real estate taxes	-	-	-	-	-	-	-	-	71,121	71,121	68,830
Depreciation	-	-	-	-	-	-	-	-	201,143	201,143	204,305
Total operating expenses	3,056,755	364,423	780,561	261,785	318,571	373,448	518,060	1,066,615	760,644	7,500,862	7,471,677
Interest	-	-	-	-	-	-	-	-	11,641	11,641	27,541
Total expenses	<u>\$ 3,056,755</u>	<u>\$ 364,423</u>	<u>\$ 780,561</u>	<u>\$ 261,785</u>	<u>\$ 318,571</u>	<u>\$ 373,448</u>	<u>\$ 518,060</u>	<u>\$ 1,066,615</u>	<u>\$ 772,285</u>	<u>\$ 7,512,503</u>	<u>\$ 7,499,218</u>
	2017										
Total expenses	<u>\$ 3,067,806</u>	<u>\$ 330,678</u>	<u>\$ 806,730</u>	<u>\$ 231,309</u>	<u>\$ 304,567</u>	<u>\$ 375,265</u>	<u>\$ 555,272</u>	<u>\$ 1,052,926</u>	<u>\$ 774,665</u>	<u>\$ 7,499,218</u>	

***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"***

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

To the Board of Directors
The Ball Pavilion

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Ball Pavilion (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 23, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered The Ball Pavilion's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Ball Pavilion's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Ball Pavilion's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
The Ball Pavilion

SEAN T. SULLIVAN, CPA, PC
www.seancpa.com

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SEAN T. SULLIVAN, CPA, PC

SEAN T. SULLIVAN, CPA, PC

October 23, 2018
Erie, Pennsylvania