McLean Affiliates, Inc.

Independent Auditors' Report
and Financial Statements

As of and for the Years Ended
September 30, 2014 and 2013

Saslow Lufkin & Buggy, LLP
Accounting · Tax · Advisory

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Independent Auditors' Report

To the Board of Directors of the
McLean Affiliates, Inc.:

We have audited the accompanying financial statements of the McLean Affiliates, Inc. (McLean), a subsidiary of the McLean Fund, which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of operations and changes in net assets 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to McLean'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 McLean's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McLean Affiliates, Inc, a subsidiary of the McLean Fund, as of September 30, 2014 and 2013, and the results of its operations and changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Saslow Lufkin & Buggy, LLP

December 4, 2014

McLean Affiliates, Inc.
Balance Sheets
September 30, 2014 and 2013

	(in thousands) 2014	2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 7,163**	$ 6,142
Accounts receivable, net of allowance of $508 and $470 in 2014 and 2013, respectively	**1,553**	1,739
Prepaid expenses and other current assets	**388**	347
Notes receivable	**390**	874
Total current assets	**9,494**	9,102
Investments	**5,003**	4,203
Assets whose use is limited	**220**	175
Interest in net assets of The McLean Foundation, Inc.	**649**	598
Property, plant and equipment:		
Land	**30**	30
Land improvements	**1,944**	1,879
Buildings	**25,557**	24,911
Fixed equipment	**8,626**	9,395
Movable equipment	**2,984**	3,111
Construction in progress	**363**	1,057
	39,504	40,383
Less: accumulated depreciation	**(20,740)**	(20,822)
	18,764	19,561
Other non-current assets	**218**	306
Total assets	**$ 34,348**	$ 34,819
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 1,049**	$ 1,658
Accrued salaries, wages, payroll taxes and other	**1,063**	1,062
Accrued expenses	**412**	402
Deferred revenue	**388**	414
Deposits held for residents	**748**	528
Total current liabilities	**3,660**	4,064
Deferred income from entry fees	**5,575**	5,416
Refundable entry fees	**5,026**	4,426
Other liabilities	**94**	161
Total liabilities	**14,355**	14,067
Net assets:		
Unrestricted net assets	**18,477**	18,765
Temporarily restricted net assets	**1,516**	1,113
Total net assets	**19,993**	19,878
Total liabilities and net assets	**$ 34,348**	$ 33,945

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

McLean Affiliates, Inc.
Statements of Operations and Changes in Net Assets
For the Years Ended September 30, 2014 and 2013

	(in thousands) 2014	2013
Unrestricted revenues and other support:		
Net patient service revenues	**$ 26,412**	$ 25,810
Provision for bad debts	**(32)**	(80)
Net patient service revenues less provision for bad debts	**26,380**	25,730
Contributions received from other related entities	**445**	445
Other unrestricted revenues	**186**	186
Total unrestricted revenues and other support	**27,011**	26,361
Expenses:		
Salaries and wages	**13,466**	13,598
Employee benefits	**3,138**	3,174
Other expenses	**6,743**	6,492
Depreciation and amortization	**1,585**	1,555
Total expenses	**24,932**	24,819
Gain from operations	**2,079**	1,542
Other income:		
Other (expenses) income	**(17)**	25
Interest and dividend income	**262**	31
Realized losses on sales of investments	**(49)**	-
Total other income	**196**	56
Excess of revenues over expenses	**2,275**	1,598
Other changes in unrestricted net assets:		
Change in net unrealized losses on investments	**66**	(2)
Transfers to McLean Special Additions & Contingency Fund	**(3,159)**	(3,000)
The McLean Foundation, Inc. activity, net	**530**	222
Change in unrestricted net assets	**(288)**	(1,182)
Changes in temporarily restricted net assets:		
Change in interest in net assets of The McLean Foundation, Inc.	**51**	(345)
The McLean Foundation, Inc. activity, net	**380**	515
Net other activity of temporarily restricted net assets	**(28)**	-
Change in temporarily restricted net assets	**403**	170
Change in net assets	**115**	(1,012)
Net assets at beginning of the year	**19,878**	20,890
Net assets at end of the year	**$ 19,993**	$ 19,878

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

McLean Affiliates, Inc.
Statements of Cash Flows (*in thousands*)
For the Years Ended September 30, 2014 and 2013

	(in thousands)	
	2014	**2013**
Cash flows from operating activities:		
Change in net assets	**$ 115**	$ (1,012)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized (gains) losses on investments	**(66)**	2
Realized (gains) losses on sales of investments	**49**	-
Depreciation and amortization expense	**1,585**	1,555
Entry fees received	**961**	1,529
Amortization of entry fees received	**(802)**	(569)
Contributions received from other related entities	**(445)**	(445)
The McLean Foundation, Inc. activity, net	**(530)**	(222)
Transfers to McLean Special Additions & Contingency Fund	**3,159**	3,000
Change in interest in net assets of The McLean Foundation, Inc.	**(51)**	345
Changes in operating assets and liabilities:		
Accounts receivable, net	**186**	853
Prepaid expenses and other current assets	**(41)**	(68)
Other non-current assets	**88**	289
Accounts payable	**(609)**	550
Accrued salaries, wages, payroll taxes and other	**1**	345
Accrued expenses	**10**	(50)
Deferred revenue	**(26)**	81
Deposits held for residents	**220**	150
Other liabilities	**(67)**	(229)
Net cash provided by operating activities	**3,737**	6,104
Cash flows from investing activities:		
Net (purchases) sales of investments	**(783)**	175
Purchases of property, plant and equipment	**(788)**	(1,915)
Change in assets whose use is limited	**(45)**	275
Net cash used in investing activities	**(1,616)**	(1,465)
Cash flows from financing activities:		
Notes receivable	**484**	(266)
Refundable entry fees received	**600**	8
Contributions received from other related entities	**445**	445
The McLean Foundation, Inc. activity, net	**530**	222
Transfers to McLean Special Additions & Contingency Fund	**(3,159)**	(3,000)
Net cash used in financing activities	**(1,100)**	(2,591)
Net change in cash and cash equivalents	**1,021**	2,048
Cash and cash equivalents, beginning of year	**6,142**	4,094
Cash and cash equivalents, end of year	**$ 7,163**	$ 6,142

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

Note 1 - General

Organization - McLean Affiliates, Inc. (McLean) was incorporated as a non-profit entity on October 1, 2008, as a subsidiary of the McLean Fund (the Fund), a trust created by the last will of George P. McLean. Prior to this incorporation McLean operated as a unit of the Fund. The subsidiaries of the Fund include McLean, The McLean Foundation, Inc. (the Foundation) and the McLean Game Refuge (the Refuge).

McLean operates as a Continuing Care Retirement Community (CCRC) and a long-term care facility located in Simsbury, Connecticut. As of September 30, 2014, McLean has 119 Medicaid and Medicare certified skilled nursing beds, 49 assisted living units, 3 residential care home beds, and 86 independent living apartments and cottages. Effective October 15, 2014 McLean de-licensed 20 Medicaid and Medicare certified skilled nursing beds.

McLean provides a full range of services, including physical therapy, occupational therapy and speech therapy. The average occupancy for McLean was 86% and 85% for 2014 and 2013, respectively. In addition, McLean provides home care, hospice, adult day care and meals on wheels services to residents of Simsbury and surrounding towns.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related footnotes. Actual results could differ from those estimates.

Net Asset Categories - To ensure observance of limitations and restrictions placed on the use of resources available, the accounts of McLean are maintained in the following net asset categories:

> *Unrestricted* - Unrestricted net assets represent available resources other than donor restricted contributions.
>
> *Temporarily restricted* - Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.
>
> *Permanently restricted* - Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity. McLean does not have any permanently restricted net assets.

Excess of Revenues Over Expenses - The statements of operations and changes in net assets includes excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions by donor restriction which were to be used for the purposes of acquiring such assets).

Net Patient Service Revenues - Patient revenues are recorded when patient services are performed. Amounts received from certain payors are different from the established billing rates of McLean, and these differences are accounted for as contractual allowances.

Note 2 - Summary of Significant Accounting Policies (continued)

Net patient service revenues are reported at the estimated net realizable amount from patients, third-party payors and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements and adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

***Bad Debts* -** McLean uses the indirect method to record bad debts. McLean records an allowance for doubtful accounts against its outstanding accounts receivable, which is based on its estimation of bad debts. This estimate is based on McLean's past experience with collecting its receivables and an analysis of its current accounts receivable. Bad debt expense amounted to $32 and $80 for the years ended September 30, 2014 and 2013, respectively.

***Cash and Cash Equivalents* -** McLean classifies all securities with original maturity dates of three months or less from the date of purchase as cash equivalents. Cash equivalents are comprised of money market funds. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250 per depositor, per bank. It is McLean's policy to monitor these banks financial strength on an ongoing basis. During the normal course of business, McLean maintains cash balances in excess of the FDIC insurance limit.

Money market funds are not insured by the FDIC and are not a risk-free investment. Money market funds invest in a variety of instruments including mortgage-backed and asset backed securities. Although a money market fund seeks to preserve its one dollar per share value, it is possible that a money market fund's value can decrease below one dollar per share.

***Investments* -** McLean invests in mutual funds, which are valued at fair market value. Investment income or losses, including realized and unrealized gains and losses on investments, and interest and dividends are included in the statements of activities and changes in net assets.

McLean measures fair value in accordance with FASB ASC 820, "*Fair Value Measurements and Disclosures*". FASB ASC 820 provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

McLean has classified its investment in its mutual fund as Level 1 as of September 30, 2014 and 2013, in accordance with FASB ASC 820. A Level 1 classification uses observable inputs that reflect quoted prices for identical assets in active markets that the Organization has the ability to access at the measurement date.

As of September 30, 2013, McLean also held various certificates of deposit with a panel of banks under the Certificate of Deposit Account Registry Service program (CDARS). All individual certificates of deposit had varying maturity dates, were FDIC insured and did not exceed the $250 FDIC insurance limits. These certificates of deposit were carried at cost, which approximated fair value. The certificates of deposit were subject to early withdrawal penalties and have all matured during 2014.

***Assets Whose Use is Limited* -** Assets whose use is limited include assets restricted under State law governing CCRC entrance fee escrow arrangements and assets set aside in accordance with State law governing operating CCRC escrow and reserve funds.

Note 2 - Summary of Significant Accounting Policies (continued)

***Interest in Net Assets of The McLean Foundation, Inc.* -** FASB ASC 958, "*Not-for-Profit Entities*", requires McLean to recognize as an asset, any investments held by the Foundation on McLean's behalf. As the use of these assets is restricted by donor stipulation, they are recorded as temporarily restricted net assets. McLean's interest in the net assets of the Foundation as of September 30, 2014 and 2013 amounted to $649 and $598, respectively, and is reflected in the accompanying balance sheets. Activity for the year, including support received from the Foundation and changes in the interest in net assets of the Foundation, is reflected in the accompanying statements of operations and changes in net assets.

***Notes Receivable* -** Notes receivable includes promissory notes entered into with CCRC residents in lieu of all or a portion of their entrance fees. These amounts are to be paid in full upon sale of the residents' real estate or a fixed date, whichever is earlier.

***Property, Plant and Equipment* -** Property, plant and equipment are recorded at cost. Routine maintenance, repairs, renewals and replacement costs are charged against income. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in other income in the statements of operations and changes in net assets.

McLean provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of the assets over their useful lives, which range from 3 to 40 years. Total depreciation and amortization expense for the years ended September 30, 2014 and 2013 amounted to $1,585 and $1,555, respectively.

***Asset Retirement Obligation* -** McLean accounts for any conditional asset retirement obligations in accordance with the provisions of FASB ASC 410, "*Asset Retirement and Environmental Obligations*". FASB ASC 410 requires that an entity recognize a liability for the fair value of conditional asset retirement obligations if the fair value of the liability can be reasonably estimated. The fair value of a liability for conditional asset retirement obligations must be recognized when incurred, generally upon acquisition, construction, development or through the normal operation of the asset. In accordance with the requirements of FASB ASC 410, McLean conducted a review of its facilities to determine if there are any assets that give rise to the obligation to perform asset retirement activity, which may not be within its control, such as the remediation or removal of asbestos containing materials.

McLean has certain items in its buildings that it believes may contain asbestos. McLean currently has no plans to renovate the areas that contain these items or remove these items from service. However, McLean has determined what it believes to be a reasonable settlement date to retire these items in the event that such retirement is not within their control. The initial estimated current cost associated with the retirement of these items was determined to be $52 and was recorded as an asset retirement obligation in other liabilities on the accompanying balance sheets. For the years ended September 30, 2014 and 2013, the estimated current cost accreted amounted to $3 and has been reflected in the statements of operations and changes in net assets.

***Deferred CCRC Contract Costs* -** McLean has deferred certain costs associated with placing initial CCRC contracts within new Villas. These costs have been capitalized in accordance with FASB ASC 954, "*Healthcare Entities*" and will be amortized over the initial CCRC contract periods.

***Tax Status* -** McLean is a not-for-profit trust as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes pursuant to Section 501(a) of the Code**.**

Notes to the Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (continued)

McLean accounts for income taxes in accordance with FASB ASC 740, "*Income Taxes*". McLean accounts for uncertain tax positions in accordance with certain provisions of FASB ASC 740, which provides a framework for how organizations should recognize, measure, present and disclose uncertain tax positions in their financial statements. Under FASB ASC 740, McLean may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. McLean did not record any unrecognized tax benefits nor did McLean record any penalties or interest associated with unrecognized tax benefits as of September 30, 2014 and 2013. Management believes McLean is operating in accordance with its non-profit tax status and accordingly, no provision for income taxes has been recorded.

All U.S. federal tax years from 2010 and forward are eligible for audit by the Internal Revenue Service.

Pending Accounting Pronouncements - In July 2012, the FASB issued ASU No. 2012-01, "*Continuing Care Retirement Communities - Refundable Advanced Fees*". ASU No. 2012-01 clarifies that an entity should classify an advanced fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon re-occupancy by a subsequent resident, which is limited to the proceeds of re-occupancy. Refundable advanced fees that are contingent upon re-occupancy by a subsequent resident but are not limited to the proceeds of re-occupancy should be accounted for and reported as a liability. This ASU is effective for fiscal years beginning after December 15, 2013, with retrospective application required. McLean does not believe the adoption of ASU No. 2012-01 will have a material effect on its financial statements. Management believes there are no other pending accounting pronouncements that will have an affect McLean.

Note 3 - Health Care Industry

Federal Regulatory Environment - The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that McLean is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Note 4 - Investments

The composition of investments as of September 30, 2014 and 2013 is set forth in the following table:

	2014		**2013**	
	Cost	**Market**	**Cost**	**Market**
Certificates of deposit	**$ -**	**$ -**	$ 3,205	$ 3,205
Mutual fund	**4,938**	**5,003**	1,000	998
Total	**$ 4,938**	**$ 5,003**	$ 4,205	$ 4,203

Notes to the Financial Statements (in thousands)

Note 5 - Net Patient Service Revenues

The following table summarizes net patient service revenues for the years ended September 30, 2014 and 2013:

	2014	2013
Gross patient service revenues:		
Long-term care	**$ 13,746**	$ 13,648
Post acute care	**6,136**	6,317
Home health services	**4,767**	4,908
Independent living	**4,135**	3,857
Assisted living	**3,459**	2,755
Outpatient services	**521**	588
	32,764	32,073
Less: contractual allowances	**(6,352)**	(6,263)
Total net patient service revenues	**$ 26,412**	$ 25,810

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most third-party payors are different from established billing rates of McLean and these differences are accounted for as contractual allowances. Net patient service revenue is reported at the estimated net realizable amounts from third-party payors, patients and others for services rendered.

McLean has agreements with third-party payors that provide for payments to McLean at amounts different from established rates. A summary of the payment arrangements with major third-party payors is as follows:

***Medicare* -** Inpatient long-term care services rendered to Medicare program beneficiaries are paid based upon a per-diem prospective payment rate. Home care services rendered to Medicare program beneficiaries are paid based upon a sixty-day episodic prospective payment rate.

***Medicaid* -** Inpatient long-term care services rendered to Medicaid program beneficiaries are paid based upon a per-diem cost based payment rate which is subject to State audit adjustments. Home care services rendered to Medicaid program beneficiaries are paid based upon a per visit or per hour payment rate.

During 2014 and 2013, approximately 29% and 32% of net patient revenue was received under the Medicare program and 22% and 21% under the Medicaid program, respectively. Significant concentrations of net patient receivables are 58% Medicare and 32% Medicaid as of September 30, 2014, and 52% Medicare and 30% Medicaid as of September 30, 2013.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, McLean analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate appropriate allowance for doubtful accounts and provision for bad debts based upon management’s assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

Note 5 - Net Patient Service Revenues (continued)

For receivables associated with services provided to patients who have third-party coverage, McLean analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), McLean records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

McLean's allowance for doubtful accounts for self-pay patients is 100% of self-pay accounts receivable as of September 30, 2014 and 2013. McLean's self-pay write-offs totaled approximately $20 and $159 for the years ended September 30, 2014 and 2013, respectively. McLean does not maintain a material allowance for doubtful accounts from third-party payors, nor does it have significant write-offs from third-party payors.

Note 6 - Assets Whose Use is Limited

McLean maintains assets whose use is limited in accordance with State law governing CCRC entrance fee escrow agreements and CCRC operating escrow and reserve fund agreements. These funds are deposited with a trustee under terms of the escrow agreements. These funds, amounting to $220 and $175 as of September 30, 2014 and 2013, respectively, and are invested in short-term U.S. Treasury notes and cash equivalents.

Note 7 - CCRC Entrance Fees

Certain McLean residents are provided living accommodations, other facilities and services, and certain medical care in exchange for payment of entrance fees and monthly service charges. Deferred entry fee revenue represents the amount of unamortized initial entry fees paid by those residents of McLean. Deferred entry fee revenue amounts are amortized to income on a straight-line basis over the shorter of the estimated remaining residential life expectancies of the individual residents or the contract period. Refundable entry fees are refundable in the event of termination of services provided by McLean upon re-occupancy of the unit at a declining rate based on the length of stay.

Based upon McLean's existing fee structure and management's expectation that future monthly service charges will be reflective of related operating costs, McLean is not required to record a liability for its obligation to provide future services and facilities to current residents. Based upon management's projections, McLean does not believe such a liability on its CCRC contracts exists at this time.

Prior to September 30, 2012, McLean capitalized $275 of costs related to acquiring the initial CCRC contracts. These costs include wages and marketing costs directly related to acquiring these contracts and are being amortized on a straight-line basis over the average remaining residential life expectancies. These amounts are included in other non-current assets on the balance sheets and represent $200 and $218 as of September 30, 2014 and 2013, respectively.

Notes to the Financial Statements (in thousands)

Note 8 - Employee Benefit Plan

McLean sponsors a 401(k) Retirement Savings Plan (the Plan) for its employees. The Plan is a defined contribution plan covering all salaried and hourly employees of McLean who elect to participate and have been scheduled to work 1,000 hours a year and have reached 20 ½ years of age. Participants may contribute up to the Internal Revenue Service Salary Deferral Limits. McLean contributes to the Plan on behalf of its qualified employees based on their wages once the employee has completed one year of service as defined. McLean contributed $809 and $800 to the Plan for the years ended September 30, 2014 and 2013, respectively.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of September 30, 2014 and 2013:

	2014	2013
Interest in net assets of The McLean Foundation, Inc.	**$ 649**	$ 598
Sorenson media center	**594**	258
Healthcare services and other	**273**	257
Total	**$ 1,516**	$ 1,113

Note 10 - Functional Expenses

McLean provides short and long-term care, residential care and home care services to residents in Simsbury, Connecticut and its surrounding geographic locations. Expenses related to providing these services are as follows for the years ended September 30, 2014 and 2013:

	2014	2013
Long-term care	**$ 8,754**	$ 8,897
Home health services	**4,383**	4,440
Post acute care	**3,849**	3,901
Independent living	**3,007**	2,935
Assisted living	**2,560**	2,231
General and administrative	**1,816**	1,783
Outpatient services	**563**	632
Total	**$ 24,932**	$ 24,819

Note 11 - Related Party Transactions

The Fund is an entity that holds investment assets used to support the subsidiaries of the Fund. The Fund provided McLean with contributions for programs that McLean provides. These contributions amounted to $385 for each of the years ended September 30, 2014 and 2013. These contributions have been recorded within contributions received from other related entities in the statements of operations and changes in net assets.

Note 11 - Related Party Transactions (continued)

The Foundation is a non-profit corporation whose purpose is to receive, maintain and apply funds to promote and engage in activities in furtherance of the public welfare, principally by supporting and assisting the Fund and its operating entities. McLean received contributions from the Foundation for certain programs that it provides. This support amounted to $60 for each of the years ended September 30, 2014 and 2013, and has been recorded within contributions received from other related entities. McLean also received funding from the Foundation totaling $341 and $737 for the years ended September 30, 2014 and 2013, respectively.

McLean has been reimbursed by the Refuge for expenses that have been paid on its behalf. This reimbursement amounted to $188 and $155 for the years ended September 30, 2014 and 2013, respectively, and has been recorded as a reduction to certain operating expenses in the statements of operations and changes in net assets.

McLean transferred $3,159 and $3,000 to the McLean Special Additions & Contingency Fund, a component of the McLean Fund, during 2014 and 2013, respectively.

Note 12 - Claims Made Liability Coverage and Related Contingencies

McLean maintains claims made professional and general liability insurance to cover medical malpractice and general liability risks. The current insurance coverage has no deductible. The coverage for professional and general liability that exists as of September 30, 2014, extends to May 28, 2015.

In the past, McLean has had very few claims for medical malpractice and general liability. McLean believes that there are no significant claims that have been incurred but not reported as of September 30, 2014 and 2013, as such, McLean has not recorded a reserve for incurred but not reported medical malpractice and general liabilities as of these dates.

In accordance with FASB ASC 2010-24, during 2012 McLean retroactively recorded estimated workers' compensation claim liabilities as well as the corresponding insurance recoverables. These amounts have been included in other liabilities and other non-current assets on the balance sheets.

Note 13 - Deferred Revenue

McLean recognizes deferred revenues in relation to its private payor long-term care and assisted living businesses. In addition, McLean recognizes deferred revenues under its home health Medicare prospective payment system. As of September 30, 2014 and 2013, McLean recorded $388 and $414, respectively, as a current liability.

Note 14 - Non-Cash Activity

During the years ended September 30, 2014 and 2013, McLean disposed of and wrote off $1,667 and $327 of property, plant and equipment, respectively, which was fully depreciated.

Note 15 - Subsequent Events

Management has considered the existence of subsequent events within these financial statements through December 4, 2014, which represents the date that these financial statements were available to be issued. Management believes there are no subsequent events to report other than those disclosed in Note 1.