

REPORT OF EXAMINATION

OF

HOME FOR THE FRIENDLESS  
d/b/a HOMELAND CENTER  
HARRISBURG, PENNSYLVANIA

AS OF

JUNE 30, 2013

For Informational Purposes Only

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For Informational Purposes Only

Harrisburg, Pennsylvania  
June 19, 2014

Honorable Stephen J. Johnson, CPA  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation  
Pennsylvania Insurance Department  
Harrisburg, Pennsylvania

Dear Sir:

In compliance with instructions contained in Examination Warrant 13-231365148-CP dated March 10, 2014, and in accordance with provisions of the Pennsylvania Continuing Care Provider Registration and Disclosure Act, 40 P.S. § 3219, an examination was conducted of the records and affairs of

**HOME FOR THE FRIENDLESS  
d/b/a HOMELAND CENTER**

a continuing care retirement community hereafter referred to as the "Provider." This examination was conducted at the administrative office of the Provider located at 1901 North 5<sup>th</sup> Street, Harrisburg, Pennsylvania 17102.

The report of this examination is hereby respectfully submitted.

**SCOPE OF EXAMINATION**

The Provider was last examined as of June 30, 2008. This examination covered the period from July 1, 2008 through June 30, 2013, and consisted of a general survey of the Provider's business practices and management, and an evaluation of the Provider's financial condition, based upon the results of its annual audits. Material subsequent events were also reviewed.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Pennsylvania Insurance Department ("Department").

The format of this report is consistent with the current practices of the Department and is limited to a description of the Provider, a discussion of key financial items that are of specific regulatory concern, and a disclosure of other significant regulatory information.

The objective of this examination was to determine the extent of the Provider's compliance with 40 P.S. § 3202 and 31 Pa. Code § 151.

For the years ending June 30, 2009 through June 30, 2013 the certified public accounting ("CPA") firm of Padden, Guerrini and Associates, PC issued unqualified audit opinions on the Provider's financial statements based on generally accepted accounting principles.

## **HISTORY**

The "Society for the Home for the Friendless" was chartered in May 1867, under the supervision of a Board of Trustees chaired by William Buehler, to shelter women and children unable to care for themselves. To oversee the daily activities of the Home they established a group of eighteen women representing the nine founding churches to be organized as a "Board of Lady Managers."

The original facility was built in 1870 at 5th and Muench Streets in Harrisburg, PA. Numerous additions and building projects have expanded and altered the facility's appearance, as its focus has changed. By the 1920s the facility was primarily used as an old age home as children were placed in homes through adoptions and foster care.

The Provider was issued a Certificate of Authority from the Department to operate as a continuing care retirement community on March 25, 2005. The Provider's sole continuing care resident's admission date to the Provider's campus was on March 1, 2012.

The Provider is a tax exempt organization under 501(c) (3) of the Internal Revenue Code.

## **DESCRIPTION OF FACILITY**

The Provider's facility is located in Harrisburg, on four and one-half acres of land. The Provider's facility includes 92 skilled nursing beds, including a 21-bed Alzheimer unit, and 56 personal care beds. The personal care facility is housed in a six story building which also houses the main dining room and several lounges.

The residents of the personal care facility have the option of entering the facility under a continuing care agreement which includes an entrance fee and daily fee as discussed below. The personal care residents may also choose a daily rental arrangement which does not require an entrance fee. The facility thus has 56 rooms available for its continuing care community.

## **FEES AND SERVICES**

As of June 30, 2013, the entrance fee for admission as a continuing care resident was \$118,000. The daily fee ranged from \$104 per day to \$134 per day based upon the size of the individual unit. Units ranged in size from less than 260 square feet to more than 461 square feet. Double occupancy is permitted for an additional cost of \$800 per month.

The daily fee structure above increases by \$30 per unit for personal care residents who choose not to enter into a continuing care agreement.

Residents of the personal care home, including continuing care residents, receive room and board, including utilities, meals, housekeeping services, certain transportation services.

## **REFUND POLICY**

### **Refund during the Rescission Period**

Any entrance fee payments, including the reservation fee, will be refunded in full if the resident rescinds the agreement within seven (7) days in accordance with the Notice of Right to Rescind. The Provider will retain the administrative processing fee.

### **Refund after Rescission Period but Prior to Occupancy: Terminated By Resident**

In the event of termination of the agreement by the resident's death, illness, injury, or incapacity prior to occupancy; the Provider will make a full refund of all entrance fee payments, including the reservation fee, less any amounts deducted to cover expenses incurred by the Provider at the resident's written request. The Provider will retain the administrative processing fee.

If the resident does not terminate the agreement within the seven (7) day rescission period, but terminates the agreement prior to occupancy, while not precluded from taking occupancy by illness, injury, incapacity, or death; the Provider will retain the administrative processing fee. Any entrance fee payments, including the reservation fee, will be refunded to the resident, less any amounts deducted to cover expenses incurred by the Provider at the resident's specific written request, in accordance with the refund provisions of the agreement. Where two individuals have signed the agreement for double occupancy, the death of one co-resident shall not constitute termination of the agreement, and no refund shall be due.

### **Refund after Rescission Period but Prior to Occupancy: Terminated By the Provider**

In the event of the termination of the agreement by the Provider before the designated occupancy date or the actual date of occupancy, the Provider will make a full refund of all entrance fee payments, including the reservation fee. The Provider will retain the administrative processing fee.

### Refund after Occupancy

After occupancy, any refund due to the resident shall be made after the following conditions have been met: The unit has been vacated and released; all keys have been returned; and all personal belonging including furniture have been removed from the unit. The amount refunded will equal the entrance fee paid less two percent for each month or portion of each month, or portion thereof from the occupancy date.

### Refund Where Two Residents Execute the Agreement

If one of two residents covered under the agreement remains in the residence after the other resident's death or relocation from the Provider's facility, no refund of the fee will be payable.

## MANAGEMENT AND CONTROL

### Board of Trustees: Home for the Friendless

The Provider's By-laws require a Board of Trustees comprised of 15 members. The Board of Trustees included the following individuals as of June 30, 2013.

<u>Name and Address</u>	<u>Principal Occupation</u>
Glen F. Bergert Camp Hill, PA	Certified Public Accountant
Pierce B. MacKay Mechanicsburg, PA	Retired
Marilyn Gephart Harrisburg, PA	Retired
Dennis L. Dinger Harrisburg, PA	Retired
Sheri Phillips Harrisburg, PA	Teacher
Marion Alexander Hummelstown, PA	Retired
William Fearen, Esq. Camp Hill, PA	Retired
Dr. Donald B. Freedman Camp Hill, PA	Physician
Gwen Lehman Harrisburg, PA	Executive Director Pennsylvania Medical Society
Douglas A. Neidich Harrisburg, PA	Chief Executive Officer Green Works Development

**Board of Trustees (continued)**

<u>Name and Address</u>	<u>Principal Occupation</u>
Benjamin Olewine, III Harrisburg, PA	Retired
E. Lee Ritter, Jr. Mechanicsburg, PA	Retired
Gail Siegel Harrisburg, PA	Retired
Donald B. Springer Hummelstown, PA	Retired
Joseph K. Stine Camp Hill, PA	Retired

**Officers: Home for the Friendless**

The Provider's By-laws require that the Board of Trustees elect officers from within the Board, with the exception of the President/CEO, who shall not be a member of the Board of Trustees. The President/CEO is responsible for overseeing the day to day operations of the Provider. The Provider does not have a CFO. The Provider does have a Director of Finance who oversees the financial operations.

The following officers were serving as of June 30, 2013:

<b>Name and Address</b>	<b>Title</b>
Barry Ramper II	President and CEO
<b>From the Board of Trustees:</b>	
Glen F. Bergert	Chairman of the Board of Trustees
Pierce B. MacKay	Vice - Chairman
Marilyn Gephart	Secretary
Dennis Dinger	Treasurer
Sheri Phillips	Assistant Treasurer

**CORPORATE RECORDS**

**Articles of incorporation**

The Provider was incorporated in late 1886. There were no changes to the Provider's Articles of Incorporation during the period of time under examination.

## By-laws

The Provider's By-laws were amended on June 14, 2011 in order to facilitate the incorporation of modern telecommunications into the operations of the Provider's Board of Trustees, and its senior management.

## ANNUAL DISCLOSURE STATEMENT

The Provider's 2013 annual disclosure statement was reviewed for compliance with the Pennsylvania Continuing Care Provider Registration and Disclosure Act ("Act"), 40 P.S. §3207 and Pennsylvania Insurance Regulations ("the Regulations"), 31 Pa. Code § 151.7 and §151.9. The 2013 annual disclosure statement was found to contain all information required by the Act and the Regulations.

## RESIDENT AGREEMENT

A review was made of the Provider's resident agreement for compliance with the Pennsylvania Continuing Care Provider Registration and Disclosure Act ("Act"), 40 P.S. § 3214, and Pennsylvania Insurance Regulations ("the Regulations"), 31 Pa. Code § 151.8 and § 151.9. The residency agreement was found to contain all information required by the Act and the Regulations.

## PENDING LITIGATION

The examiner was not made aware of any pending legal action or any known potential legal action which could have a materially adverse affect on the Provider's financial condition as of the date of the examination report.

## FINANCIAL STATEMENTS

The financial condition of the Provider, as of June 30, 2013, and the results of its operations for the last two years under examination are reflected in the following statements:

Comparative Balance Sheet and;  
Comparative Statement of Operations;  
Statement of Changes in Net Assets;  
Comparative Statement of Cash Flows.

There were no changes made to the financial statements as a result of this examination.

Comparative Balance Sheet  
as of June 30,

<u>Assets</u>	<u>2013</u>	<u>2012</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ (1,782)	\$ 398,253
Residents deposits	99,777	130,285
Accounts receivable, residents (net allowance doubtful accounts of \$35,000 in 2013 and	2,082,334	1,738,921
Assets whose use is limited	759,569	1,055,416
Prepaid expenses and other current assets	314,102	262,792
<b>Total Current Assets</b>	<b>3,254,000</b>	<b>3,585,667</b>
<u>Assets Whose Use is Limited</u>		
Designated for continuing care liquid reserve	13,200	11,200
Board designated	8,245,194	8,299,905
Donor designated	9,981,304	6,652,808
<b>Total Assets Whose Use is Limited</b>	<b>18,239,698</b>	<b>14,963,913</b>
Property and equipment, net	8,936,590	9,788,432
Beneficial interest in perpetual trusts	11,116,659	10,568,989
Other assets	123,981	129,617
<b>Total Assets</b>	<b>\$ 41,670,928</b>	<b>\$ 39,036,618</b>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Line of credit	\$ 511,973	\$ 817,722
Current portion of long-term debt	247,596	237,694
Accounts payable	843,652	556,075
Accrued expenses:		
Salaries, wages and related liabilities	412,610	348,373
Vacation and compensated absences	324,625	320,359
Deferred revenue – entrance fees	15,474	19,265
Resident Fund	101,222	131,018
<b>Total Current Liabilities</b>	<b>2,457,152</b>	<b>2,430,506</b>
<u>Long-term liabilities</u>		
Long-term debt	5,940,529	6,191,201
Deferred compensation liability	44,072	31,992
Deferred revenue – entrance fee	79,185	92,472
Additional person liability	3,318,623	4,689,955
<b>Total Long-Term Liabilities</b>	<b>9,382,409</b>	<b>11,005,620</b>
<b>Total Liabilities</b>	<b>11,839,561</b>	<b>13,436,126</b>
<u>Net Assets:</u>		
Unrestricted	8,228,145	7,675,490
Temporarily restricted	505,259	703,205
Permanently restricted	21,097,963	17,221,797
<b>Total Net Assets</b>	<b>29,831,367</b>	<b>25,600,492</b>
<b>Totals Liabilities and Net Assets</b>	<b>\$ 41,670,928</b>	<b>\$ 39,036,618</b>

Comparative Statement of Operations  
for the Years Ended June 30,

<b>Unrestricted Revenue, Gains and Other Support</b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Net resident service revenues	\$ 11,438,015	\$ 11,350,046
Net hospice revenues	2,406,071	1,124,615
Other operating revenue	89,710	75,259
Nursing facility assessment	143,118	145,168
Other gains or (losses)	1,981,503	2,465,651
<b>Total Unrestricted Revenue, Gains and Other Support</b>	<b><u>16,058,417</u></b>	<b><u>15,160,739</u></b>
 <b>Expenses:</b>		
Nursing services	6,557,137	6,633,787
Hospice services	2,359,604	1,362,741
General services	4,059,477	3,917,005
Other professional services	1,193,953	1,238,168
Administrative services	1,885,655	1,744,961
Depreciation and amortization	1,077,163	1,109,586
Interest	264,025	270,930
<b>Total Expenses</b>	<b><u>17,397,014</u></b>	<b><u>16,277,178</u></b>
 <b>Operating (loss) income</b>	<b>(1,338,597)</b>	<b>(1,116,439)</b>
Changes in Net Unrealized Gains (Losses)		
on Investments Other Than Trading Securities	394,132	(866,767)
Excess of Additional Pension Liability Over		
Unrecognized Prior Service Cost	1,297,120	(2,074,995)
Net Assets released from restrictions		
for non-operating purposes	200,000	235,000
 <b>Increase (Decrease) in Unrestricted Net Assets</b>	<b><u>\$ 552,655</u></b>	<b><u>\$ (3,823,201)</u></b>

Statement of Changes in Net Assets  
for year ending

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Net Assets</b>		
Operating loss	\$ (1,338,597)	\$ (1,116,439)
Changes in net unrealized gains (losses) on Investments other than trading securities	394,132	(866,767)
Excess of additional pension liability over unrecognized prior service cost	1,297,120	(2,074,995)
Net Assets Released From Restrictions For Non- operating purposes	<u>200,000</u>	<u>235,000</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>552,655</u>	<u>(3,823,201)</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions		21,005
Investment income	2,054	(2)
Net Assets Released From Restrictions For Non- operating purposes	<u>(200,000)</u>	<u>(235,000)</u>
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<u>(197,946)</u>	<u>(213,997)</u>
<b>Permanently Restricted Net Assets</b>		
Contributions	2,851,050	5,193,237
Valuation gain (loss), beneficial interest in perpetual trusts	<u>1,025,116</u>	<u>(1,019,860)</u>
<b>Increase (Decrease) in Permanently Restricted Net Assets</b>	<u>3,876,166</u>	<u>4,173,377</u>
Increase (Decrease) in Net Assets	4,230,875	136,179
Net Assets, Beginning of Year	<u>25,600,492</u>	<u>25,464,313</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 29,831,367</u></u>	<u><u>\$ 25,600,492</u></u>

**Comparative Statement of Cash Flows  
for the Years Ended June 30,**

<b>Cash Flows From Operating Activities:</b>	<b>2013</b>	<b>2012</b>
Increase in net assets	\$ 4,230,875	\$ 136,179
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Change in beneficial interest in perpetual trust	(1,025,116)	1,019,860
(Gain) loss on disposal of property and equipment	304	112,433
Permanently restricted third party trusts received	(2,851,050)	(5,193,237)
Depreciation	1,077,163	1,109,586
Proceeds from deferred revenue - entrance fees	0	118,000
Amortization of deferred revenue - entrance fees	(17,078)	(6,263)
Change in net unrealized (gains) losses on investments other than trading securities	(394,132)	866,767
(Gains) or losses on the sale of investments	(367,564)	(771,288)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, residents	(343,413)	129,808
Prepaid expenses and supplies	(51,310)	(21,658)
Pledges receivable	(147,693)	377,528
Other assets	5,636	13,635
Increases (decreases) in liabilities:		
Accounts payable	287,577	160,665
Resident deposits and personal funds	712	2,780
Accrued expenses	68,503	110,488
Deferred compensation liability	12,080	11,342
Additional pension liability	(1,371,332)	1,652,652
<b>Net Cash used in Operating Activities</b>	<u>(885,838)</u>	<u>(170,723)</u>
<b>Cash flows from Investing Activities</b>		
Purchases of property and equipment	(225,625)	(530,426)
(Increase) decrease in assets whose use is limited	1,257,947	1,062,945
<b>Net cash Provided by Investing Activities</b>	<u>1,032,322</u>	<u>532,519</u>
<b>Cash flows from financing activities</b>		
Net borrowings (repayments) on line of credit	(305,749)	246,407
Payments on long-term debt	(240,770)	(230,732)
<b>Net cash Provided by (Used) in Financing Activities</b>	<u>(546,519)</u>	<u>15,675</u>
 Net (decrease) Increase in Cash and Cash Equivalents	 (400,035)	 377,471
Cash and Cash Equivalents, Beginning of Year	398,253	20,782
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ (1,782)</u>	<u>\$ 398,253</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Statutory Minimum Liquid Reserve

\$13,200

The Pennsylvania Continuing Care Provider Registration and Disclosure Act, 40 P.S. §3209, requires the Provider to establish and maintain a statutory liquid reserve in an amount equal to or exceeding the greater of:

- (1) The total of all principal and interest payments due during the next 12 months on account of any mortgage loan or other long-term financing of the facility; or
- (2) Ten percent of the projected annual operating expenses of the facility exclusive of depreciation.

Of the above two requirements, number (1) is \$3,637 and number (2) is \$13,200 as of June 30, 2013. The Provider has established a reserve in the amount of the minimum statutory requirement.

### SUBSEQUENT EVENTS

The examiner was not made aware of any events through the date of this examination report which could have a significant adverse affect on the Provider's financial position.

### RECOMMENDATIONS

#### Prior Examination

It was recommended in the prior exam that the Provider actively pursue admitting a continuing care resident into the personal care home. As of June 30, 2008, the Provider had not admitted a continuing care resident.

In March of 2012, the Provider entered into a continuing care agreement with a resident of the personal care home. The prior recommendation has been adequately addressed by the Provider.

#### Current Examination

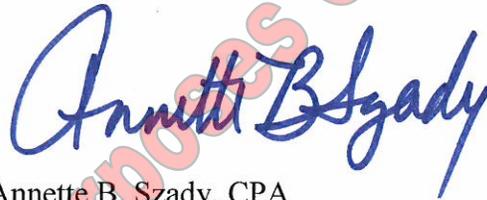
There were no recommendations made as a result of this examination.

CONCLUSION

As a result of our examination, we conclude that Home for the Friendless, doing business as Homeland Center, is in compliance with all applicable Pennsylvania laws and regulations as they pertain to continuing care retirement communities as of June 30, 2013.

This examination was conducted by Robert A. Young.

Respectfully submitted,



Annette B. Szady, CPA  
Director  
Bureau of Financial Examinations



James Minder, CPA  
Examination Manager  
Bureau of Financial Examinations



Robert A. Young  
Examiner-In-Charge

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