

Examination Warrant Number 19-251539123-CP-2

**Report of Examination of
Bradford Ecumenical Home, Inc.
Bradford, Pennsylvania**

As of December 31, 2019

For Informational Purposes Only

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For Informational Purposes Only

Harrisburg, Pennsylvania
July 21, 2020

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In compliance with instructions contained in Examination Warrant Number 19-251539123-CP-2, dated April 24, 2020, and in accordance with provisions of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (“the Act”), as cited in 40 P.S. § 3219, an examination was conducted of the records and affairs of

Bradford Ecumenical Home, Inc.

a continuing-care retirement community (“CCRC”), hereinafter referred to as the “Provider.” The examination was conducted at the Provider’s home office, located at 100 St. Francis Drive, Bradford, Pennsylvania, 16710.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

This is the second examination of the Provider. This examination covered the period from January 1, 2015 through December 31, 2019 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 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 the Act and 31 Pa. Code § 151 (“the Regulations”).

For the years ending December 31, 2015 through December 31, 2019, the certified public accounting (“CPA”) firm of Felix & Gloekler, P.C. issued unmodified opinions on the Provider’s financial statements based on generally accepted accounting principles. Relevant work performed by the CPA, during its 2019 annual audit of the Provider, was reviewed during the examination and incorporated into the examination workpapers.

HISTORY

The Provider is a non-profit corporation located in McKean County of Pennsylvania. The Provider was incorporated on January 5, 1987. The Provider owns and operates a nursing home under the name of Bradford Ecumenical Home, Inc., with 100 certified skilled nursing care beds. During 1995, the Provider began the construction of a 56 unit assisted living facility. This facility, operating under the name of Chapel Ridge, began operation in October of 1996. On April 26, 2010, the Department granted the Provider a Certificate of Authority to operate a CCRC. In 2010, the Provider opened two independent living apartments named Creekside Suites.

The Provider is a stand-alone charity and is not affiliated with any other non-profits or religious organizations.

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

DESCRIPTION OF FACILITY

The facility is located in a rural setting on approximately 12 acres in Bradford, McKean County, Pennsylvania. In addition to the two independent living units, the facility includes a skilled nursing unit, an Alzheimer and memory care unit, a personal care unit, and physical therapy unit.

The two independent living residences each include two bedrooms, a fully equipped kitchen, laundry facilities, a bathroom, and a fireplace. The units are single-story and contain 1,400 square feet of living area.

FEES AND SERVICES

As of December 31, 2019, the entrance fee was \$50,000 per unit for single and/or double occupancy. The Monthly Maintenance Fee was \$2,294 for single and/or double occupancy. The entrance fee is amortized at a rate of 20% per annum and is pro-rated monthly. After five years, the amount is considered to be fully surrendered to the Provider. Upon terminating the agreement and surrendering the unit, the CCRC resident is entitled to a refund of the unamortized portion of the entrance fee paid.

The Provider also requires a Security Deposit of \$1,000 upon occupancy. The deposit is held during the term of the agreement and is refundable at the termination of agreement and surrender of the living unit.

The monthly maintenance fee includes basic services such as electricity, heat, water and sewer, routine maintenance, snow and trash removal, and lawn care. Residents are required to pay their own hospitalization, medical expenses, ambulance charges, meals, and dental expenses.

REFUND POLICY

During the examination period, two (2) CCRC resident agreements were terminated. For each termination, refunds were issued in accordance with the terms of the agreement and the Provider's refund policy.

The following describes the Provider's refund policy which complies with the Act.

Termination Before Occupancy

The Resident Agreement may be terminated within seven days of execution of the agreement (rescission period) without penalty. The resident agreement may also be terminated without penalty any time before the designated occupancy date. As of December 31, 2014, the Provider no longer accepts deposits of entrance fees prior to the designated occupancy date, so there would be no need for a refund.

Termination After Occupancy

After the designated occupancy date, the resident may terminate the agreement by delivery of written notice to the Provider at least 60 days prior to termination, and by the surrender of the living accommodation. Termination shall be effective after the lapse of the 60-day period and unit has been surrendered. Any unamortized portion of the entrance fee will be refunded in accordance with the agreement, see Conditions and Timing for Refunds below.

Upon the surrender of the residence, any unamortized balance of the entrance fee will cease being amortized. Upon termination of the agreement, and subject to certain conditions, the unamortized balance of the entrance fee will be refunded, less any amounts deducted to pay any outstanding charges in accordance with the Conditions and Timing for Refunds shown below.

Conditions and Timing for Refunds

Prior to occupancy, all applicable refunds will be made after termination and within 60 days of a prospective resident's request. After occupancy, all applicable refunds will be made only after the resident, or in situations of double occupancy, both co-residents, have vacated the living unit, the unit has been re-occupied by another resident, and the entrance fee for the re-occupied living unit has been paid in full. In the case of the agreement being terminated by the death of a single resident, and the surrender of the living unit, any remaining unamortized portion of the entrance fee remaining will be promptly refunded to the Residents' estate.

A resident's vacated unit may be re-occupied by another current resident of the community through an internal living unit transfer. In this case, a refund will be made to the resident only after the other resident's vacated unit is re-occupied by another resident and the entrance fee for that unit is paid in full.

As long as a resident, or in the case of double occupancy, a co-resident, continues to occupy any living accommodation within the community, including accommodations in the health center, no refund shall be due and no refund shall be paid until the death, permanent transfer outside of the community, discharge or voluntary departure outside the community by resident, or in situations of double occupancy, both co-residents, and/or the termination of the

agreement. The amount of any refund due will be calculated by reference to the date of surrender of the living unit.

Where two or more individuals have signed an agreement for multiple occupancy, the death of one resident shall not constitute termination of the agreement, and no refund shall be due.

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

The business and affairs of the Provider are managed by its Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2019.

Name and Address	Principal Occupation
Craig L. Hart, Chairman Bradford, PA	Trust Officer Hamlin Bank
Dr. Holly Spittler, Vice Chairman Bradford, PA	Retired
Kelley A. Roff, Treasurer Bradford, PA	Bookkeeper/Tax Preparer Smith Best & Stoneking, PC
Kristen R. Langianese, Secretary Bradford, PA	Licensed Practical Nurse BRMS
Sara Bruno Bradford, PA	Teacher’s Aide Bradford Area School District
Madeline B. Miles Bradford, PA	Retired Speech Pathologist
Melody C. Pollock Bradford, PA	Retired
Janice Russell Bradford, PA	Educator
Jerad Rosendahl Bradford, PA	Financial Advisor Northwest Advisors
Jeffrey R. Gabel Bradford, PA	Facilities Manager Zippo Manufacturing Company
Jeffrey A. Weiss Bradford, PA	Teacher Bradford Area High School

OFFICERS

As of the examination date, December 31, 2019, the following officers were serving the Corporation.

Name	Title
Lisa A. Johnson	Chief Executive Officer
John Fidurko	Chief Financial Officer
Nicole Wells	Administrator

CORPORATE RECORDS

ARTICLES OF INCORPORATION

No amendments were made to the Provider's Articles of Incorporation during the examination period.

BY-LAWS

The by-laws were amended on August 22, 2016, to indicate that the Chief Executive Officer and Chairman of the Board shall not be the same person.

During the review of the by-laws and the Board of Directors' meeting minutes, it was found that Article 5 Meetings, Section 1, requires monthly meetings of the Board. The examiner noted that the Board does not meet in July, and the December Board meeting is a dinner meeting with management where no minutes are prepared.

It is recommended that the Provider comply with its by-laws and conduct monthly meetings or amend the by-laws to reduce the frequency of Board meetings required.

The examiner noted that the April 24, 2019 Board meeting was held without a Quorum, which is in violation of their by-laws. By-Laws Article 13 states, "A quorum for the purpose of holding any meeting of the Members shall be a simple majority of the Board of Directors."

It is recommended that all meetings of the Board to conduct business have a simple majority (Quorum) of the Directors in attendance in accordance with the by-laws.

ANNUAL DISCLOSURE STATEMENT

The Provider's 2019 Annual Disclosure Statement was reviewed for compliance with the Act and Regulations, specifically § 151.7 and § 151.9. The examiner found that the 2019 Annual Disclosure Statement was not in compliance with all information required by the Act and the Regulations.

During the review of the Disclosure Statement, the examiner found that Section III, Officers and Board of Directors of Bradford Ecumenical Home, Inc., does not disclose the names and business addresses of the three (3) corporate officers (CEO, CFO & Administrator), in accordance with 40 P.S. § 3207(a)(2).

It is recommended that the Disclosure Statement be amended to disclose the names and business addresses of the three (3) corporate officers (CEO, CFO & Administrator), in accordance with 40 P.S. § 3207(a)(2).

During the review of the Disclosure Statement it was found that Section VIII “Fees and Charges”, and Supplement "A", did not disclose that the Entrance Fee is subject to an amortization schedule and that there is a security deposit required in accordance with 40 P.S. § 3207(a)(7).

It is recommended that the Disclosure Statement be amended to disclose that the Entrance Fee is subject to an amortization schedule and that there is a security deposit required in accordance with 40 P.S. § 3207(a)(7).

During the review of the Disclosure Statement it was found that Section IX “Reserve Funding”, did not disclose all of the Provisions (tests), the corresponding calculations, the resulting reserve amount, and the investment information (bank) in accordance with 40 P.S. § 3207(a)(8).

It is recommended that the Disclosure Statement be amended to disclose all of the provisions (tests), the corresponding calculations, the resulting reserve amount, and the investment information (bank) in accordance with 40 P.S. § 3207(a)(8).

During the review of the Disclosure Statement it was found that the Summary Page required in accordance with 31 Pa. Code § 151.7(c) was missing.

It is recommended that the Disclosure Statement be amended to include the required Summary Page in accordance with 31 Pa. Code § 151.7(c) and disclose items required by 31 Pa. Code §§ 151.7(c)(1) through (c)(8) therein.

RESIDENT AGREEMENT

The Provider’s 2019 Resident Agreement was reviewed for compliance with the Act and the Regulations, specifically § 151.8 and § 151.9. The 2019 Resident Agreement was not in compliance with all information required by the Act and the Regulations.

During the review of the Resident Agreement, the examiner found that Section 6, Marriage and/or Additional Occupants, does not disclose the consequences if the spouse does not meet the requirements for entry to the Community in accordance with 40 P.S. § 3214(a)(6).

It is recommended that the Resident Agreement be amended to disclose the consequences if the spouse does not meet the requirements for entry to the Community in accordance with 40 P.S. § 3214(a)(6).

During the review of the Resident Agreement, the examiner found that Section 2.14 and 4.6(d) did not fully disclose the conditions of changes in fees or charges or scope of care or services that may be effective in accordance with 40 P.S. § 3214(a)(10). This section requires the agreement include a provision which provides “The agreement shall provide for advance notice to the resident, of not less than 30 days, before any change in fees or charges or scope of care or services may be effective, except for changes required by State or Federal assistance programs.”

It is recommended that the Resident Agreement be amended to fully disclose the conditions of changes in fees or charges or scope of care or services that may be effective in accordance with 40 P.S. § 3214(a)(10).

PENDING LITIGATION

There was no known pending legal action or any known potential legal action which could have a materially adverse effect on the Provider's financial condition as of the examination date.

FINANCIAL STATEMENTS

The financial condition of the Provider, as of December 31, 2019, and the results of its operations for the last two years under examination, are reflected in the following statements:

Comparative Balance Sheet;
Comparative Statement of Operations and Change in Net Assets; and
Comparative Statement of Cash Flow

The financial information used to compile the following financial statements was presented in the audited financial statements as of December 31, 2019. There were no changes made to the financial statements as a result of this examination.

For Informational Purpose Only

**Comparative Balance Sheet
For the Year Ended December 31,**

Assets	2019	2018
Current Assets		
Cash and cash equivalents	\$ 2,756,983	\$ 1,932,199
Investments	7,834,433	6,283,030
Resident Accounts Receivable, net of \$29,994 allowance for uncollectible accounts	634,622	767,164
Residents' Funds	19,570	29,836
Prepaid expenses	156,485	133,946
Accrued interest	20,000	-
Total Current Assets	11,422,093	9,146,175
Assets Whose Use is Limited - At Market		
By donor or regulation:		
Statutory minimum liquid reserve	36,253	36,249
Endowment funds	492,908	417,210
Total Assets Whose Use is Limited	529,161	453,459
Property and Equipment	15,527,715	15,110,852
Less: Accumulated depreciation	(11,581,561)	(11,041,238)
Net Property and Equipment	3,946,154	4,069,614
Other Assets		
Mortgage acquisition costs	25,519	-
Construction in progress	556,608	21,083
Total Other Assets	582,127	21,083
Total Assets	\$ 16,479,535	\$ 13,690,331
Liabilities	2019	2018
Current Liabilities		
Current portion of long-term debt	\$ 152,612	\$ 110,624
Accounts payable	617,022	320,482
Accrued expenses	564,346	500,947
Residents' funds	19,570	29,836
Security deposits	66,446	57,946
Deferred revenue	127,029	141,951
Total Current Liabilities	1,547,025	1,161,786
Non-Current Liabilities		
Deferred revenue: CCRC entrance fees	79,728	38,333
Long-term Debt	1,173,109	332,290
Total Non-Current Liabilities	1,252,837	370,623
Total Liabilities	2,799,862	1,532,409
Net Assets		
Without Donor Restrictions		
Unrestricted	13,150,512	11,704,463
Restricted by statute	36,253	36,249
Without Donor Restrictions	13,186,765	11,740,712
With Donor Restrictions	492,908	417,210
Total Liabilities and Net Assets	\$ 16,479,535	\$ 13,690,331

**Comparative Statement of Operations
and Change in Net Assets
For the Year Ended December 31,**

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions		
Revenue		
Net resident service revenue	\$ 10,602,673	\$ 10,323,080
Total Revenue	<u>10,602,673</u>	<u>10,323,080</u>
Expenses		
Departmental expenses		
Dietary	1,294,920	1,284,090
Housekeeping	380,523	368,086
Laundry	106,985	101,658
Maintenance and utilities	700,841	582,641
Resident care	4,553,990	4,355,671
Activities	316,843	304,133
Social services/marketing	90,504	91,699
Medical records	358,500	366,741
Administration	1,396,643	1,300,500
Therapy	907,164	816,016
Total Departmental Expenses	<u>10,106,913</u>	<u>9,571,235</u>
Interest	16,240	15,130
Depreciation and Amortization	544,809	509,352
Total Expenses	<u>10,667,962</u>	<u>10,095,717</u>
Income (Loss) From Operations	(65,289)	227,363
Non-operating Revenues (Expenses)		
Assessment income	247,059	288,765
Contributions, gifts and bequests	83,134	33,164
Investment income, net of investment expenses	186,416	161,576
Net unrealized gain (loss) on investments	995,965	(501,465)
Miscellaneous	(1,232)	(1,288)
Total Non-Operating Revenues (Expenses)	<u>1,511,342</u>	<u>(19,248)</u>
Change in Net Assets Without Donor Restrictions	<u>\$ 1,446,053</u>	<u>\$ 208,115</u>
Changes in Net Assets With Donor Restrictions		
Investment income, net of investment expenses	\$ 7,293	\$ 1,804
Unrealized gain/(loss) on investments	68,405	(57,866)
Total Change in Net Assets With Donor Restrictions	<u>\$ 75,698</u>	<u>\$ (56,062)</u>
Statement of Changes in Net Assets		
Balance, December 31, 2018	\$ 12,157,922	
Change in Net Assets for 2019 Without Donor Restrictions	1,446,053	
Change in Net Assets for 2019 With Donor Restrictions	75,698	
Total Net Assets December 31, 2019	<u>\$ 13,679,673</u>	

**Comparative Statement of Cash Flow
For the Year Ended December 31,**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,521,751	\$ 152,053
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	544,809	509,352
Net unrealized loss (gain) on investments	(1,064,370)	559,331
Increase (decrease) in resident accounts receivable	132,542	45,038
Increase (decrease) in prepaid expenses	(22,539)	(16,691)
Increase (decrease) in residents' funds asset	10,266	(6,154)
Increase (decrease) in accrued interest	(20,000)	
Decrease (increase) in accounts payable	296,540	36,795
Decrease (increase) in accrued expenses	63,399	(27,605)
Decrease (increase) in security deposit liability	8,500	6,000
Decrease (increase) in residents' funds liability	(10,266)	6,153
Decrease (increase) in deferred revenue	26,473	(13,238)
Net Cash Provided by Operating Activities	<u>1,487,105</u>	<u>1,251,034</u>
Cash Flows from Investing Activities		
(Purchases) of property and equipment	(421,349)	(286,917)
(Purchases) of investments	(695,330)	(270,487)
(Purchases) of mortgage acquisition costs	(25,519)	
Sales of investments	132,595	18,741
(Increase) decrease in construction in progress	(535,525)	(21,083)
Net Cash (Used) in Investing Activities	<u>(1,545,128)</u>	<u>(559,746)</u>
Cash Flows from Financing Activities		
Proceeds from long-term debt	1,000,000	
Payments on long-term debt	(117,193)	(126,874)
Net Cash Provided (Used) by Financing Activities	<u>882,807</u>	<u>(126,874)</u>
Net Increase in Cash and Cash Equivalents	824,784	564,414
Cash and Cash Equivalents at Beginning of Year	<u>1,932,199</u>	<u>1,367,785</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,756,983</u>	<u>\$ 1,932,199</u>
Supplemental Disclosure		
Cash paid for interest	<u>\$ 16,240</u>	<u>\$ 15,130</u>

NOTES TO FINANCIAL STATEMENTS

STATUTORY MINIMUM LIQUID RESERVE

\$36,253

In accordance with 40 P.S. § 3209, the Provider must 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, the value of (1) is \$2,881 and the value of (2) is \$19,440. As of December 31, 2019, the Provider had established and reported a reserve of \$36,253 for this purpose. The Provider's current assets meet this requirement.

ESCROW ACCOUNT REQUIREMENTS

The Provider does not accept deposits from CCRC residents, and therefore maintains no escrow account. Should the Provider begin to accept entrance fee deposits from CCRC residents prior to the residents' right to take occupancy of the designated unit, the Provider must then establish an escrow account with a bank as required by 40 P.S. § 3212.

SUBSEQUENT EVENTS

The examiner was not made aware of any subsequent events to December 31, 2019, through the date of this examination report that would have a material effect on the solvency of the Provider.

RECOMMENDATIONS

PRIOR EXAMINATION

This is the second examination of the Provider. The prior examination report contained the following recommendations:

1. It is recommended that the Provider follow its by-laws by appointing one person as the Chief Executive Officer and Chairman.

The Provider has complied with this recommendation.

2. It is recommended that the Provider amend its annual disclosure statement to comply with 40 P.S. § 3207(a)(4)(iv). This section requires the annual disclosure statement to report the provision of the Internal Revenue Code by which it is exempt from payment of income tax.

The Provider has complied with this recommendation.

3. It is recommended that the Provider revise its resident agreement in use so as to clearly establish the amount of the entrance fee and periodic monthly payment in case of double occupancy, in nontechnical language that can be easily understood by a lay person.

The Provider has complied with this recommendation.

4. It is recommended that the Provider amend the resident agreement to be in compliance with 40 P.S. § 3214(a)(11). This section requires the agreement include a provision which provides “that charges for care paid in one lump sum shall not be increased or changed during the duration of the agreed upon care, except for changes required by State or Federal assistance programs.”

The Provider has complied with this recommendation.

5. It is recommended that the Provider place any entrance fee deposit received prior to the designated occupancy date into an escrow account to be released upon occupancy, as required by 40 P.S. § 3212(1).

The Provider has complied with this recommendation.

CURRENT EXAMINATION

As a result of this examination, the following recommendations are being made:

1. *It is recommended that the Provider comply with its by-laws and conduct monthly meetings or amend the by-laws to reduce the frequency of Board meetings required.* (See “By-Laws,” page 5).
2. *It is recommended that all meetings of the Board to conduct business have a simple majority (Quorum) of the Directors in attendance per the by-laws.* (See “By-Laws,” page 5).

3. *It is recommended that the Disclosure Statement be amended to disclose the names and business addresses of the three (3) corporate officers (CEO, CFO & Administrator), in accordance with 40 P.S. § 3207(a)(2).* (See “Annual Disclosure Statement,” page 6).
4. *It is recommended that the Disclosure Statement be amended to disclose that the Entrance Fee is subject to an amortization schedule and that there is a security deposit required in accordance with 40 P.S. § 3207(a)(7).* (See “Annual Disclosure Statement,” page 6).
5. *It is recommended that the Disclosure Statement be amended to disclose all of the provisions (tests), the corresponding calculations, the resulting reserve amount, and the investment information (bank) in accordance with 40 P.S. § 3207(a)(8).* (See “Annual Disclosure Statement,” page 6).
6. *It is recommended that the Disclosure Statement be amended to include the required Summary Page in accordance with 31 Pa. Code § 151.7(c) and disclose items required by 31 Pa. Code §§ 151.7(c)(1) through (c)(8) therein.* (See “Annual Disclosure Statement,” page 6).
7. *It is recommended that the Resident Agreement be amended to disclose the consequences if the spouse does not meet the requirements for entry to the Community in accordance with 40 P.S. § 3214(a)(6).* (See “Resident Agreement,” page 6).
8. *It is recommended that the Resident Agreement be amended to fully disclose the conditions of changes in fees or charges or scope of care or services that may be effective in accordance with 40 P.S. § 3214(a)(10).* (See “Resident Agreement,” page 6).

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CONCLUSION

The examination of Bradford Ecumenical Home, Inc., as of December 31, 2019, was determined to be not in compliance with all applicable Pennsylvania laws and regulations as pertaining to CCRCs as described in the Recommendations section on pages 12 and 13 of this report.

This examination was conducted by Charles E. Albert, Jr.

Respectfully,



Melissa L. Greiner
Director
Bureau of Financial Examinations



Robert A. Woronko, CFE, CPA, CISA
Examination Manager



[Charles Albert \(Aug 24, 2020 08:02 EDT\)](#)

Charles E. Albert, Jr.
Examiner-in-Charge

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