

**EXAMINATION WARRANT # 14-261948167-CP**

**REPORT OF EXAMINATION**

**OF THE**

**OAKWOOD HEALTHCARE, LLC  
PHILADELPHIA, PENNSYLVANIA**

**AS OF**

**DECEMBER 31, 2014**

*For Informational Purposes Only*

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Harrisburg, Pennsylvania  
November 20, 2015

Honorable Joseph DiMemmo, 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 14-261948167-CP dated September 29, 2015, 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

### **OAKWOOD HEALTHCARE, LLC**

a continuing-care retirement community ("CCRC") hereafter referred to as the "Provider." This examination was conducted at the Provider's administrative office located at 2109 Red Lion Road, Philadelphia, Pennsylvania 19115.

The report of this examination is hereby respectfully submitted.

### **SCOPE OF EXAMINATION**

This is the first examination of the Provider. This examination covered the period from April 12, 2010 through December 31, 2014, 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 the Act and 31 Pa. Code § 151 ("the Regulations").

For the years ending December 31, 2010 through December 31, 2014, the certified public accounting firm ("CPA") of Brand Sonnenschine, LLP ("CPA") of New York, New York issued an unmodified opinion on the Provider's financial statements based on generally accepted accounting principles.

## HISTORY

Oakwood Healthcare, LLC was organized as a limited liability company in the Commonwealth of Pennsylvania in February 2008, doing business as Oakwood Healthcare & Rehabilitation Center. The Company is licensed to operate a 148-bed nursing facility in Philadelphia, Pennsylvania. On April 12, 2010, the company received a Certificate of Authority from the Pennsylvania Insurance Department to operate as a CCRC.

The Provider is not a tax-exempt organization and is taxed in accordance with the provisions of the Internal Revenue Code.

## DESCRIPTION OF FACILITY

The facility offers independent living with an option to age in place by also providing personal care in the same living unit should this level of care become necessary. The personal care facility consists of 89 units in a three-story building located in Philadelphia, Pennsylvania; however, only 45 of the personal care units are available for the use of Oakwood independent living residents who enter the campus on a lease basis. The remaining units are available for the use of Oakwood's sister facility, Centennial Village located a few miles away.

In addition, Oakwood offers priority admission to its licensed 148 bed skilled nursing facility which is located on the same campus as the combination independent living and personal care facility. The total campus is comprised of 3.75 acres.

## FEES AND SERVICES

As of December 31, 2014, fees charged to CCRC residents were as follows:

### Independent Living on a Continuing Care Lease Basis:

	<b>Entrance Fee</b>	<b>Maintenance Fee</b>
Private One Bedroom Single Occupancy:	\$12,600	\$1,000 per mo.
Private One Bedroom Dual Occupancy:	\$12,600	\$1,050 per mo.

### Personal Care:

<b>Type of Accommodation</b>	<b>Rate per Month</b>
Private Room	\$3,200
Semi Private Shared 2 Bed	\$2,100
Semi Private Shared 3 Bed	\$1,700

### Skilled Nursing Facility:

Daily Room and Board Rate at the Skilled Nursing Facility is \$239 per day.

## REFUND POLICY

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

### Termination before Occupancy

The resident may terminate agreements within seven (7) days of execution by signing the Notice of Right to Rescind and delivering it to the Provider. In addition, in the event a resident dies before the designated occupancy date, or through illness, injury, or incapacity is precluded from becoming a resident under the terms of the agreement, the agreement is automatically rescinded, and a full refund shall be issued to the resident, resident's legal representative, or resident's estate as per the terms of 40 P.S. § 3214(c).

After the lapse of the seven (7) day rescission period, but prior to the designated occupancy date, residents may terminate the agreement by delivering written notice to the Provider prior to occupancy. In such event, the agreement is automatically rescinded, and a full refund shall be issued to the resident, resident's legal representative, or resident's estate as per the terms of 40 P.S. § 3214(c).

### Termination after Occupancy

After occupancy, the resident may terminate the agreement by delivery of written notice to the Provider at least sixty (60) days prior to termination, and by the surrender of the living accommodation. Termination shall be effective after the lapse of the sixty (60) day notice period and surrender of the living accommodation. Any unamortized portion of the entrance fee shall be refunded to the resident.

### Conditions and Timing for Refunds

Prior to occupancy, all applicable refunds will be made after termination and within sixty days of a resident's request. After occupancy, all applicable refunds will be made only after the resident's, or in situations of double occupancy, both co-resident's, vacated living unit has been reoccupied by another resident, and the entrance fee for the reoccupied living unit has been paid in full, and the agreement has been terminated.

In the event a resident's vacated living unit is reoccupied by a then current resident of the Provider through an internal living unit transfer, then only at such time as the Provider receives an entrance fee in full for the living unit vacated by the existing resident transferring to the resident's living unit under the agreement, shall a refund be due. As long as the 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 the 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 a living unit is occupied by co-residents, there will be no refund, partial or otherwise, upon the death, permanent transfer within or outside the Community, discharge or voluntary departure from the Community of only one of the co-residents.

## MANAGEMENT AND CONTROL

### BOARD OF DIRECTORS / OFFICERS

Oakwood Healthcare, LLC is a closely held corporation. The corporation is owned solely and equally by Colev J. Gestetner and Eliezer M. Grossman. Messrs. Gestetner and Grossman act as the Board of Directors and hold the position of Officers of the corporation. Iren Contino is the Administrator of the skilled nursing facility or Health Center on campus. Nochum Feder is the Administrator for the personal care residence. Dr. Umar Farooq is the Medical Director for the skilled nursing facility. Dr. Brian Kimmel is the Medical Director for the personal care residence. All individuals listed above have a business address of 2109 Red Lion Road, Philadelphia, Pennsylvania 19115.

### CORPORATE RECORDS

### CERTIFICATE OF ORGANIZATION

Limited Liability Companies are not required to file operating agreements or by-laws with the Commonwealth. No amendments were made to the Provider's Certificate of Organization during the period of examination.

### ANNUAL DISCLOSURE STATEMENT

The Provider's 2014 Annual Disclosure Statement was reviewed for compliance with the Act, 40 P.S. § 3207, and the Regulations, specifically § 151.7 and § 151.9. The examiners found that the 2014 disclosure statement contained all required information required by the Act and the Regulations.

### RESIDENT AGREEMENT

The Provider's 2014 Resident Agreement was reviewed for compliance with the Act, 40 P.S. § 3214, and the Regulations, specifically § 151.8 and § 151.9. The examiners found that the resident agreement contained all required information required by the Act and the Regulations.

### 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 date of this examination report.

## FINANCIAL STATEMENTS

The financial condition of the Provider, as of December 31, 2014, and the results of its operations for the last two years under examination are reflected in the following statements:

Comparative Balance Sheet;  
Comparative Statement Earnings and Members' Equity; and  
Comparative Statement of Cash Flows

The financial information used to compile the following financial statements was presented in the audited financial statements as of December 31, 2014. There were no changes made to the financial statements as a result of this examination.

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**Comparative Balance Sheet  
as of December 31,**

ASSETS	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 264,244	\$ 102,580
Cash - restricted (patient funds)	119,548	95,706
Cash - limited use - CCRC Statutory Liquid Reserve	9,509	9,198
Accounts receivable - net of allowance for doubtful accounts of \$179,000 and \$147,000	1,669,442	2,172,757
Due from related entities	1,052,580	1,541,000
Due from member	100,000	-
Escrow deposits	248,119	182,218
Prepaid expenses and other	325,583	171,504
<b>Total current assets</b>	<u>3,789,025</u>	<u>4,274,963</u>
Property and equipment - net	1,453,479	1,482,447
<b>TOTAL ASSETS</b>	<u>\$ 5,242,504</u>	<u>\$ 5,757,410</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	500,000	500,000
Accounts payable	2,209,673	1,782,458
Accrued expenses	399,248	357,573
Accrued and withheld taxes	69,890	55,946
Due to related entities	-	34,545
Due to related party	183,452	249,870
Capital leases payable - net	92,179	83,752
Deferred revenue	5,000	12,000
Income taxes payable	64,000	2,682
Patients' funds and deposits payable	193,332	177,086
<b>Total current liabilities</b>	<u>3,716,774</u>	<u>3,255,912</u>
Capital leases payable - net	28,843	121,022
<b>Total Liabilities</b>	<u>3,745,617</u>	<u>3,376,934</u>
<b>Members' equity</b>	<u>1,496,887</u>	<u>2,380,476</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 5,242,504</u>	<u>\$ 5,757,410</u>



**Comparative Statement Earnings and Members' Equity  
for the Year Ended December 31,**

	<u>2014</u>	<u>2013</u>
Revenues	\$ 13,624,912	\$ 13,579,370
Operating expenses	<u>13,001,955</u>	<u>12,278,204</u>
Earnings from Operations	622,957	1,319,166
Non-operating revenue		
Interest income	249	102
Interest expense	<u>(35,384)</u>	<u>(160,633)</u>
Earnings before provision for income taxes	587,822	1,158,635
Provision for income taxes	<u>(23,024)</u>	<u>(144,073)</u>
<b>NET EARNINGS</b>	<b>564,798</b>	<b>1,014,562</b>
Members' equity - beginning of year	<u>2,380,476</u>	<u>2,462,712</u>
	2,945,274	3,477,274
Members' equity distributed	<u>(1,448,387)</u>	<u>(1,096,798)</u>
<b>MEMBERS' EQUITY - END OF YEAR</b>	<b><u>\$ 1,496,887</u></b>	<b><u>\$ 2,380,476</u></b>

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**Comparative Statement of Cash Flows  
for the Year Ended December 31,**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Net earnings	\$ 564,798	\$ 1,014,562
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
Depreciation and amortization	354,256	323,111
Deferred revenue	5,000	-
<b>(Increase) decrease in assets</b>		
Accounts receivable	503,315	173,557
Escrow deposits	(65,901)	(182,218)
Prepaid expenses	(154,079)	(29,370)
<b>Increase (decrease) in liabilities</b>		
Accounts payable	427,215	389,742
Accrued expenses and withheld taxes	55,619	22,099
Income taxes payable	61,318	(396,085)
Patients' funds and deposits payable	4,246	(107,220)
	<u>1,755,787</u>	<u>1,208,178</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows used in investing activities</b>		
Purchase of equipment	(325,288)	(264,853)
Loans from (to) related entities	920,700	(106,000)
	<u>595,412</u>	<u>(370,853)</u>
<b>Net cash provided by (used in) investing activities</b>		
<b>Cash Flows from Financing Activities</b>		
Members' equity distributed	(1,448,387)	(1,096,798)
Due from member	(100,000)	-
Proceeds from (repayment of) line of credit	-	(500,000)
Proceeds from loans payable	-	500,000
Proceeds from (repayment of) loans payable - related	(66,418)	50,848
Proceeds from related entity	(466,825)	52,619
Capital lease payments	(83,752)	(76,097)
	<u>(2,165,382)</u>	<u>(1,069,428)</u>
<b>Net cash used in financing activities</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	185,817	(232,103)
Cash and cash equivalents - beginning of year	<u>207,484</u>	<u>439,587</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 393,301</u>	<u>\$ 207,484</u>

## NOTES TO THE FINANCIAL STATEMENTS

### **Statutory Minimum Liquid Reserve** **\$9,509**

In accordance with 40 P.S. § 3209, the Provider must establish and maintain a 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 \$0, and the value of (2) is \$9,509 as of December 31, 2014. The Provider designated \$9,509 of liquid assets reserved at December 31, 2014 for this purpose. The Provider's current assets satisfy this requirement.

### **ESCROW ACCOUNT REQUIREMENTS**

The Provider has established an escrow account as required by 40 P.S. § 3212. The Provider did not hold any resident deposits in the account as of December 31, 2014.

### **SUBSEQUENT EVENTS**

The examination team was not made aware of any events that could have a significant effect on the solvency of the Provider as of the date of examination and through the date of this examination report.

### **RECOMMENDATIONS**

This is the first examination of the Provider. There are no recommendations resulting from this examination of the Provider.

### CONCLUSION

As a result of our examination, we conclude that Oakwood Healthcare, LLC, is in compliance with the applicable Pennsylvania laws and regulations as they pertain to CCRCs as of December 31, 2014.

This examination was conducted by John D. Lee.

Respectfully submitted,



Melissa L. Greiner  
Director  
Bureau of Financial Examinations



Matthew C. Milford, CFE  
Examination Manager



John D. Lee, CFE  
Examiner-In-Charge

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