

REPORT OF EXAMINATION

OF

REFORMED PRESBYTERIAN WOMAN'S ASSOCIATION  
d/b/a UPPER ROOMS VISTA  
PITTSBURGH, PENNSYLVANIA

AS OF

DECEMBER 31, 2015

# REFORMED PRESBYTERIAN WOMAN'S ASSOCIATION

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Harrisburg, Pennsylvania  
July 6, 2016

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 15-250974327-CP dated February 5, 2016, and in accordance with provisions of the Pennsylvania Continuing Care Provider Registration and Disclosure Act, 40 P.S. § 3219 ("the Act"), an examination was conducted of the records and affairs of

**REFORMED PRESBYTERIAN WOMAN'S ASSOCIATION  
D/B/A UPPER ROOMS VISTA**

a continuing care retirement community ("CCRC") hereafter referred to as the "Provider." This examination was conducted at the Provider's administrative office located at 2344 Perrysville Avenue, Pittsburgh, Pennsylvania 15214.

The 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, 2011 through December 31, 2015 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").

The financial statements were audited by the certified public accounting firm of Carbis Walker ("CPA"), of New Castle, Pennsylvania. For all the years under examination, 2011 through 2015, the CPA firm rendered modified opinions of the financial statements based on Generally Accepted Accounting Principles ("GAAP"). It was noted that property and equipment are recorded at cost less accumulated depreciation. GAAP standards require that long-lived assets be reviewed by the Provider to determine whether an impairment loss occurred as a result of

recurring losses. The Provider did not test long-lived assets for impairment at any time during the period under examination. The CPA opinions further stated that the effects on the financial statements of the preceding practice are not reasonably determined.

***It is recommended that the Provider test long-lived assets for impairment in accordance with GAAP so that the effects on the financial statements are reasonably determinable.***

Relevant work performed by the CPA, during its annual audit of the Provider, was reviewed during the examination and incorporated into the examination workpapers.

## HISTORY

The Reformed Presbyterian Woman's Association ("RPWA") was chartered in 1897 to provide a home for widows, orphans, aged and infirmed with funds donated by John A. McKee, at the request of his daughter, Mary McKee Morton, who played a significant part in establishing the RPWA. At the time the RPWA was formed, the Synod of the Reformed Presbyterian Church of North America, by formal resolution, entrusted the management and responsibility for this ministry to the women of the church under the corporate name Reformed Presbyterian Woman's Association. The Reformed Presbyterian Home expanded and renovated through the years and a major renovation in 1983 resulted in the present structure.

On April 21, 2004, The Upper Rooms, Inc., an affiliated entity of RPWA, was organized and established. In October 2007, The Upper Rooms, Inc. and RPWA completed construction of an apartment building, located on a parcel of ground owned by The Upper Rooms, Inc. that is contiguous to the RPWA campus.

The five floor brick building consists of 26 HUD Section 202 supportive housing apartments on the first four floors for low income frail elderly persons, owned by the Upper Rooms, Inc. and nine (9) independent living apartments on the fifth floor owned by RPWA and known as the Upper Rooms Vista. The independent living apartments became available for occupancy in October 2007.

A Reciprocal License and Easement Agreement between RPWA and the Upper Rooms, Inc. establishes certain reciprocal licenses and easements, including but not limited to, allowing non-exclusive right to use elevators, the community room and the laundry room in the Upper Rooms, Inc. and non-exclusive right of pedestrian access over, along and through the Upper Rooms, Inc. property and RPWA property. The Agreement also addresses maintenance and liability insurance obligations of RPWA and the Upper Rooms, Inc.

On May 16, 2007, the Provider filed for the fictitious name of the Upper Rooms Vista with the Department of State. On August 28, 2007, the Provider received a Certificate of Authority from the Department to operate as a CCRC.

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

## DESCRIPTION OF FACILITY

The Provider operates one facility called Upper Rooms Vista, located in the city of Pittsburgh, Allegheny County, Pennsylvania. The Provider's registered address is within this property. There are presently 8 residents living there under a CCRC contract.

## FEES AND SERVICES

As of December 31, 2015, the entrance fees ranged from \$15,000 for a studio, one bedroom or two bedroom unit, or \$20,000 for the one bedroom "end" unit. The Monthly Service Fee at December 31, 2015, ranged from \$790 for a studio to \$1,215 for a one bedroom "end" unit or a two bedroom unit. There is an additional entrance fee of 50% of the current entrance fee, if a resident marries an individual not currently a resident of Upper Rooms Vista or wants a relative, related by consanguinity, to move into their apartment. The monthly fee for that particular apartment does not change. The specific services are outlined in the Resident Agreement.

## REFUND POLICY

### Termination Before Occupancy

Any Entrance Fee payments will be refunded in full if the resident rescinds the Agreement within seven (7) days in accordance with the Notice of Right to Rescind. In the event of termination of this Agreement by death before the Designated Occupancy Date or actual date of Occupancy, whichever is earlier; or in the event the resident is precluded from taking occupancy because of illness, injury, or incapacity prior to the Designated Occupancy Date or actual date of Occupancy, whichever is earlier; then the Provider will make a full refund of any Entrance Fee payments less any amounts deducted to cover expenses incurred by the Provider at the resident's specific written request.

Where two individuals have signed this Agreement for Double Occupancy, the death of one Co-Resident shall not constitute termination of this Agreement, and no refund shall be due. In the event of the termination of this Agreement by the Provider before the Designated Occupancy Date or actual date of Occupancy, whichever is earlier; then the Provider shall make a full refund of any Entrance Fee payments.

### Termination After Occupancy

In the event of termination during the amortization period, the resident will be entitled to a refund of the unamortized portion of the Entrance Fee, less deductions for any financial assistance provided to the resident by the Provider, and/or any amounts necessary to cover costs incurred by us to refurbish, restore or repair the Residence in the event of unreasonable wear and tear, and/or costs incurred at the resident's specific request, and/or any unpaid charges. All refunds shall be paid to the resident or their estate in accordance with the conditions and due date for refund payments. After the lapse of the amortization period, the resident will not be entitled to a refund of any portion of the Entrance Fee.

**Double Occupancy – Limitation on Availability of Refund**

Any applicable refund will only be made in accordance with the conditions and due date for refund payments after the last surviving Co-Resident vacates and surrenders the residence, and the Resident Agreement is terminated. In situations of Double Occupancy where one Co-Resident is transferred to the Nursing Unit and becomes eligible for Medical Assistance, no potential future refund shall be available to pay for routine nursing care services.

If, however, the Department of Public Welfare ("DPW") construes any potential future refund as an available resource, or if any court, administrative agency, or other appropriate tribunal having jurisdiction determines that the conditions and due date for refund payments is contrary to law or Medical Assistance eligibility requirements, then the Provider shall make available the amount determined by DPW or other appropriate tribunal as an available resource as a refund, and apply such refund to the payment of routine nursing care services for the particular Co-Resident.

**No Accrual of Interest**

No interest will accrue to the benefit of the resident or the resident's estate on any amounts required to be refunded under this Agreement, and no interest will be paid on termination.

**Conditions and Due Date for Refund Payments. Prior to Occupancy**

All applicable refunds will be made within thirty (30) days of the termination of this Agreement. After Occupancy, all applicable refunds will be made after the resident has surrendered the residence and only after it has been re-occupied by another resident from whom the Provider has received full payment of the applicable Entrance Fee. The amount of any refund is subject to deductions for any amounts due to the Provider. The amortization of the Entrance Fee, if not fully amortized, shall cease on the effective date of surrender. In situations of Double Occupancy, there will be no refund, partial or otherwise, upon the death, permanent transfer, discharge or voluntary departure from the Community of only one of the Co-Residents.

**Amortization of Entrance Fee**

Ten percent (10%) of the Entrance Fee will be amortized immediately upon the designated occupancy date or actual date of occupancy, whichever is earlier. The remaining ninety percent (90%) of the Entrance Fee shall be amortized at the rate of one sixtieth (1/60) per month from the designated occupancy date or actual date of occupancy, whichever is earlier. At the conclusion of the sixty (60) month amortization period, the Entrance Fee shall be earned in full by Upper Rooms Vista, and the resident will not be entitled to a refund of any portion of the Entrance Fee.

**MANAGEMENT AND CONTROL****BOARD OF DIRECTORS**

The management of the Provider is vested in its Board of Directors ("Board"), which was composed of the following members as of the examination date, December 31, 2015:

<u><b>Name and Address</b></u>	<u><b>Principal Occupation</b></u>
Autumn Butler Pittsburgh, PA	Executive Director for Wilkinsburg Christian Housing
Wendy Hughes Troy, MI	Church Deacon
Dr. Betsy Johns Topeka, KS	Tallgrass Family Medicine
Rev. Ralph Joseph Slippery Rock, PA	Retired Pastor
Karen Olson Kenmore, WA	Writer, Editor, Proofreader
Marilyn Roll Warrendale, PA	Retired Insurance Executive
Kathy Stegall Perry, KS	Teacher
Elaine Tweed Beaver Falls, PA	Retired
Patricia Watters Cranberry Twp., PA	Retired Principal, Substitute Teacher
Jennifer Willson Beaver Falls, PA	Speech Therapist
Nola Youngman Portersville, PA	Retired Nurse

**OFFICERS**

As of the examination date, December 31, 2015, the following officers were appointed and serving in accordance with the Provider's By laws:

## REFORMED PRESBYTERIAN WOMAN'S ASSOCIATION

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<u>Name</u>	<u>Title</u>
Rebecca Brady Bethel Park, PA	Chief Operating Officer and Administrator
William J. Weir Pittsburgh, PA	Chief Financial Officer, RPWA
Lorrie Meneely Pittsburgh, PA	Chief Information Officer
Marilyn Roll Warrendale, PA	President
Rev. Ralph Joseph Slippery Rock, PA	Vice President
Karen Olson Kenmore, WA	Corresponding Secretary
Wendy Hughes Troy, MI	Treasurer
Elaine Tweed Beaver Falls, PA	Assistant Treasurer

### CORPORATE RECORDS

#### ARTICLES OF INCORPORATION

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

#### BY-LAWS

There were several changes made to the Provider's By-laws during the period under examination as follows. First, in 2014, at their Annual Association Meeting, the By-laws were amended to include the Operating Officers, in response to the findings from the prior examination.

Second, later in 2014, at a specially called Association Meeting, the By-laws were amended to remove the ministry of the Child Daycare Center, Robin's Nest, as the Provider desired to divest that ministry in order to put more focus on Senior Living.



Third, in 2016, at the Annual Association Meeting, the By-laws were amended to update the language describing the duties of the Recording Secretary and the Treasurer of the Board.

### **ANNUAL DISCLOSURE STATEMENT**

The Provider's 2015 Annual Disclosure Statement was reviewed for compliance with the Act, and the Regulations, specifically § 151.7 and § 151.9. The examiner found that the 2015 Annual Disclosure Statement is in compliance with all information required by the Act and the Regulations.

### **RESIDENT AGREEMENT**

The Provider's 2015 Resident Agreement was reviewed for compliance with the Act and the Regulations, specifically § 151.8 and § 151.9. The examiner found that the 2015 Resident Agreement was in compliance with all 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 examination date.

### **FINANCIAL STATEMENTS**

The financial condition of the Provider, as of December 31, 2015, 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;  
Comparative Statement of Changes in Net Assets; 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, 2015. There were no changes made to the financial statements as a result of this examination.

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

ASSETS	2015	2014
CURRENT ASSETS		
Cash	\$268,806	\$491,130
Accounts receivable, net:		
Residents	589,019	564,310
Other	58,023	11,363
Estimated third-party payor settlements	58,836	22,733
Prepaid expenses	35,030	11,187
Total current assets	<u>1,009,714</u>	<u>1,100,723</u>
TENANT DEPOSITS HELD IN TRUST	<u>10,484</u>	<u>10,427</u>
ASSETS WHOSE USE IS LIMITED	<u>1,465,619</u>	<u>1,515,280</u>
STATUTORY MINIMUM LIQUID RESERVE	<u>103,491</u>	<u>103,388</u>
PROPERTY AND EQUIPMENT		
Land	215,735	215,735
Buildings	10,928,322	11,013,397
Equipment	<u>1,689,011</u>	<u>1,766,434</u>
Total	<u>12,833,068</u>	<u>12,995,566</u>
Less accumulated depreciation	<u>7,056,155</u>	<u>6,936,546</u>
Net property and equipment	<u>5,776,913</u>	<u>6,059,020</u>
BENEFICIAL INTEREST IN PERPETUAL TRUST,		
McGaw Trust Fund	<u>575,478</u>	<u>609,584</u>
Total assets	<u>\$8,941,699</u>	<u>\$9,398,422</u>
LIABILITIES AND NET ASSETS	2015	2014
CURRENT LIABILITIES		
Line of credit	\$345,615	\$497,615
Current maturities of long-term debt	205,776	196,997
Accounts payable	183,623	181,253
Accrued expenses	<u>196,973</u>	<u>231,139</u>
Total current liabilities	<u>931,987</u>	<u>1,107,004</u>
TENANT SECURITY DEPOSITS	<u>10,484</u>	<u>10,427</u>
LONG-TERM DEBT, less unamortized debt issuan	<u>2,142,777</u>	<u>2,346,345</u>
REFUNDABLE FEES	26,475	24,075
DEFERRED REVENUE	46,455	47,220
GIFT ANNUITY OBLIGATION	8,302	9,991
CAPITAL ADVANCE	<u>3,030,700</u>	<u>3,030,700</u>
Total liabilities	<u>6,197,180</u>	<u>6,575,762</u>
NET ASSETS		
Unrestricted	1,977,191	2,010,081
Temporarily restricted	136,687	147,832
Permanently restricted	<u>630,641</u>	<u>664,747</u>
Total net assets	<u>2,744,519</u>	<u>2,822,660</u>
Total liabilities and net assets	<u>\$8,941,699</u>	<u>\$9,398,422</u>

**Comparative Statement of Operations  
for the Year Ended December 31,**

Provision for bad debts	30,314	60,636
Faith Based Network membership	5,000	20,022
Total expenses	6,141,866	6,074,634
Operating (loss)	(408,594)	(5,777)
<b>OTHER INCOME (EXPENSE)</b>		
Contributions and bequests	218,514	387,666
Net realized gain on sales of investments	22,638	261,678
Share of RPCNA Synod funds	90,500	82,000
Trust fund income	26,156	24,529
Interest and dividend income, net of fees	4,458	6,794
Other nonoperating revenue	14,988	19,022
Gain (loss) on disposal of property and equipment	56,603	(4,400)
Total other income	433,857	777,289
Excess of revenue and other income over expenses	25,263	771,512
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>		
Net unrealized (loss) on investments	(60,093)	(245,980)
Net assets released from restrictions used for capital expenditures and other nonoperating activities	1,940	230
Total other changes in unrestricted net assets	(58,153)	(245,750)
Increase (decrease) in unrestricted net assets	(\$32,890)	\$525,762

**Comparative Statement of Changes in Net Assets  
for the Year Ended December 31,**

	2015	2014
<b>UNRESTRICTED NET ASSETS</b>		
Excess of revenue and other income over expenses	\$25,263	\$771,512
Net unrealized (loss) on investments	(60,093)	(245,980)
Net assets released from restrictions used for capital expenditures and other nonoperating activities	1,940	230
Increase (decrease) in unrestricted net assets	<u>(32,890)</u>	<u>525,762</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	7,779	1,580
Investment income (loss), net of fees	(4,166)	4,282
Net assets released from restrictions	(14,758)	(6,679)
(Decrease) in temporarily restricted net assets	<u>(11,145)</u>	<u>(817)</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Valuation gain (loss), beneficial interest in perpetual trust, McGaw Trust Fund	(34,106)	20,805
Change in net assets	<u>(78,141)</u>	<u>545,750</u>
Net assets, beginning of year	<u>2,822,660</u>	<u>2,276,910</u>
Net assets, end of year	<u>\$2,744,519</u>	<u>\$2,822,660</u>

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

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	(\$78,141)	\$545,750
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	342,272	345,744
Proceeds from advance fees	15,000	0
Amortization of advance fees	(12,203)	(17,490)
Valuation (gain) loss, beneficial interest in perpetual trust, McGaw Trust Fund	34,106	(20,805)
Net unrealized loss on investments	60,093	245,980
Net realized gain on sales of investments	(22,638)	(261,678)
(Gain) loss on disposal of property and equipment	(56,603)	4,400
Restricted contributions	(7,779)	(1,580)
Provision for bad debts	30,314	60,636
(Increase) decrease in assets:		
Accounts receivable:		
Residents	(55,023)	(35,429)
Other	(46,660)	(2,651)
Estimated third-party payor settlements	(36,103)	112,577
Prepaid expenses	(23,843)	39,748
Increase (decrease) in liabilities:		
Accounts payable	2,370	(149,715)
Accrued expenses	(34,166)	(22,849)
Deferred revenue	(1,162)	1,160
Net cash provided by operating activities	109,834	843,798
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(61,806)	(43,812)
Proceeds from sale of property and equipment	60,001	0
Purchases of assets whose use is limited	(88,485)	(66,987)
Proceeds from sales of assets whose use is limited	100,691	95,424
Net change in statutory minimum liquid reserve	(103)	102
Net cash provided by (used in) investing activities	10,298	(15,477)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on line of credit	(152,000)	(297,000)
Proceeds from restricted contributions	7,779	1,580
Repayments on long-term debt	(196,546)	(186,812)
Net cash paid for annuity obligation	(1,689)	(1,856)
Refund of advanced fees	0	(5,400)
Net cash (used in) financing activities	(342,456)	(489,488)
Increase (decrease) in cash	(\$222,324)	(\$338,833)
<b>Cash:</b>		
Beginning	491,130	152,297
Ending	\$268,806	\$491,130

REFORMED PRESBYTERIAN WOMAN'S ASSOCIATION

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SUPPLEMENTAL DISCLOSURE OF CASH FLOW  
INFORMATION

Interest paid

\$88,521

\$104,379

For Informational Purposes Only

## NOTES TO THE FINANCIAL STATEMENTS

### STATUTORY MINIMUM LIQUID RESERVE

**\$103,491**

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 \$24,776 and the value of (2) is \$52,709. As of December 31, 2015, the Provider had established and reported a reserve of \$103,491 for this purpose. The Provider's current assets satisfy this requirement.

### ESCROW ACCOUNT REQUIREMENTS

The Provider does not accept deposits from CCRC residents prior to date of occupancy, 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 events subsequent to December 31, 2015, through the date of this examination report that would have a material effect on the solvency of the Provider.

### RECOMMENDATIONS

#### PRIOR RECOMMENDATIONS

As a result of the previous examination, the following recommendations were made:

1. It is recommended that the Provider test long-lived assets for impairment in accordance with GAAP so that the effects on the financial statements are reasonably determinable.

*The Provider did not comply with this recommendation.*

2. It is recommended that the Provider submit a corrective action plan to the Department to address the "ongoing concern" issue raised by the CPA's opinion of the audited financial statements.

*The Provider did not comply with this recommendation; however, there is no longer an "ongoing concern" comment in the CPA's opinion of the audited financial statement in the final year of the examination.*

## CURRENT RECOMMENDATIONS

As a result of the current examination, the following recommendation was made:

1. It is recommended that the Provider test long-lived assets for impairment in accordance with GAAP so that the effects on the financial statements are reasonably determinable.

## CONCLUSION

As a result of our examination, we conclude that the Reformed Presbyterian Woman's Association d/b/a Upper Rooms Vista, is in compliance with all applicable Pennsylvania laws and regulations as they pertain to CCRCs as of December 31, 2015, except as described above in the Current Recommendations.

This examination was conducted by Cornelius B. McConville.

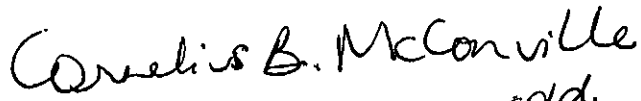
Respectfully submitted,



Melissa L. Greiner  
Director  
Bureau of Financial Examinations



Matthew C. Milford, CFE  
Examination Manager - cdd



Cornelius B. McConville  
Examiner-In-Charge - cdd