

EXAMINATION WARRANT # 08-CP-552

REPORT OF EXAMINATION

OF THE

**ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY
SELLERSVILLE, PENNSYLVANIA**

AS OF

JUNE 30, 2008

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Salutation	1
Scope of Examination.....	1
History	2
Description of Facility	3
Fees and Services.....	3
Refund Policy	4
Management and Control:	
Board of Directors	5
Officers	6
Corporate Records:	
Articles of Incorporation	6
By-Laws.....	6
Annual Disclosure Statement	7
Resident Agreement	7
Pending Litigation.....	7
Financial Statements:	
Comparative Balance Sheet.....	8
Comparative Statement of Operations.....	9
Comparative Statement of Cash Flows.....	10
Statutory Minimum Liquid Reserve	11
Recommendations:	
Previous Recommendations	11
Current Recommendations	11
Conclusion.....	12

Harrisburg, Pennsylvania
October 21, 2009

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 Number 08-CP-552 dated February 11, 2009, and in accordance with provisions of the Pennsylvania Continuing Care Provider and Registration and Disclosure Act, 40 P.S. § 3219, an examination was conducted of the records and affairs of

**ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY**

a continuing care retirement community, hereafter referred to as the "Provider" or "Facility." This examination was conducted at the administrative office of the Provider located at 3250 State Road, Sellersville, Pennsylvania 18960.

The report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Provider was last examined as of June 30, 2003. This examination covered the five-year period from July 1, 2003 through June 30, 2008, 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 their annual audits, as of the latter date. 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 Commonwealth of Pennsylvania Insurance Department ("Department").

ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY

- 2 -

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 40 P.S. § 3202 and 31 Pa Code § 151.

The Certified Public Accounting, ("CPA"), firm of Bergey Yoder and Associates, P.C., issued audit reports with an unqualified opinion of the audited financial statements based on generally accepted accounting principles for all years covered by the examination. The financial annual reports prepared by the CPA were reviewed during the examination and incorporated into the examination work papers.

HISTORY

The facility was founded in 1935 by Wimer and Katie Alderfer and was known as the "Alderfer Home."

In 1954, members of the Rockhill Mennonite Church purchased the property. The Facility was incorporated as the Rockhill Mennonite Home on December 20, 1954 as a non-profit corporation. The Facility has been associated with the Franconia Mennonite Conference since 1980.

Effective October 4, 1978, the facility began operating under the fictitious name of "Rockhill Mennonite Community."

The Facility received its Certificate of Authority from the Department to conduct business as a licensed continuing care provider on September 23, 1986.

ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY

- 3 -

DESCRIPTION OF FACILITY

The facility is situated in rural area and is composed of approximately 44 acres in West Rockhill Township in northern Bucks County. The facility includes 221 independent living units consisting of 21 efficiency units, 46 two-bedroom units and 154 one-bedroom units. Attached to the independent living center is a ninety-bed health care center, personal care facility with 33 rooms, and a adult day care center. The common areas are shared by all residents and includes, but is not limited to, a multi-purpose room, chapel, gift shop, main dining room, barber/beauty shop, hobby shop, computer center, greenhouse, library, and main lobby.

FEES AND SERVICES

The following fees and services were in effect as of June 30, 2008:

APARTMENT SIZE	ENTRANCE FEES	MONTHLY FEE
Efficiency	\$51,500	\$866
One Bedroom	\$130,000 to \$143,000	\$1,047 - \$1,208
Two Bedroom	\$170,000 to \$192,500	\$1,273 - \$1,499

Services Included In The Monthly Fee

There are numerous services being offered by the Provider as part of the monthly fee and these are outlined in the resident agreement.

REFUND POLICY

TERMINATION BY RESIDENT

Rescission Period – Resident may terminate this Agreement within seven (7) days of execution by signing the Notice of Right to Rescind and delivering it to the Provider. All payments, except the Application Processing Fee, shall be refunded to the Resident.

After Rescission Period – In the event resident(s) are precluded from taking occupancy because of death, illness, injury, or incapacity after the lapse of the seven (7) day rescission period, but within 60 days of the signing date, resident(s) or his/her estate will receive a full refund of entrance fee. If resident(s) terminate this Agreement within sixty (60) days of the signing date for reasons other than illness, injury, incapacity, or death; then the Provider will retain the greater of: \$2,500 or the amortized portion of the Entrance Fee to date..

TERMINATION BY PROVIDER

The Provider may terminate Agreement at any time prior to Occupancy or during the Probationary Period by delivery of written notice to Resident. After completion of the Probationary Period, Provider may terminate Agreement upon determination of just cause and delivery of thirty (30) days written notice or such written notice as is reasonable under the circumstances to Resident or Resident's Personal Representative.

REFUND AFTER OCCUPANCY

In the event of termination for any reason after sixty (60) days from the Signing Date and during the fifty (50) month amortization period, resident(s) will be entitled to a refund of twenty-five percent (25%) of the Entrance Fee plus the unamortized portion. After the fifty month amortization period, resident/their estate are entitled to the guaranteed refundable portion of their entrance fee.

TERMINATION BY DEATH

The Agreement shall terminate at death of Resident and Surrender of Unit.

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

Board members are elected by the existing Board of Directors for three-year terms. The Board of Directors is required to have eight members, of which at least five members shall be of the Mennonite Denominational background. The remaining, if not of Mennonite Denomination, shall be of similar background (i.e., Brethren in Christ, General Conference of Mennonite, Mennonite Brethren, Amish). The Board of Directors are required to meet each month and to elect officers at their annual meeting in January. A quorum shall consist of three members of the Board of Directors.

The business and affairs of the Provider is managed by its Board of Directors which consisted of the following members as of June 30, 2008:

Name and Address	Principal Occupation
R. Wayne Clemens, Esq. Souderton, PA	Lawyer Self Employed
Glenn R. Bauman Souderton, PA	Retired
Kenneth Rush Perkasie, PA	Proprietor
David L. Bergey Perkasie, PA	Physical Therapist Grand View Hospital
Sonja Moyer Souderton, PA	Retired
Nancy Garis Souderton, PA	Retired
Mary Leatherman Doylestown, PA	Registered Nurse Doylestown Hospital

**ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY**

- 6 -

Ron L. Hertzler
Telford, PA

Teacher
Christopher Dock Mennonite High School

OFFICERS

The following Officers were elected and serving as of June 30, 2008:

Name	Title
R. Wayne Clemens	President
Glenn R. Bauman	Vice President
Kenneth Rush	Secretary
David L. Bergey	Treasurer

CORPORATE RECORDS

ARTICLES OF INCORPORATION

During the period covered by this examination, there were no amendments made to the Provider's Articles of Incorporation.

BY-LAWS

During the period covered by this examination, there were no amendments made to the Provider's By-Laws.

ANNUAL DISCLOSURE STATEMENT

A review was made of the 2008 Annual Disclosure Statement for compliance with the Pennsylvania Continuing Care Provider Registration and Disclosure Act ("the Act"), namely 40 P.S. § 3207, Sections (a) through (d), and Pennsylvania Insurance Regulations ("the Regulations"), 31 Pa. Code § 151.7, Sections (a) through (f) and 31 Pa. Code § 151.9, Sections (a) through (f). The 2008 Disclosure Statement was found to contain all information required by the Act and the Regulations.

RESIDENT AGREEMENT

The most current Resident Agreement was reviewed for compliance with 40 P.S. § 3214, Sections (a) through (f), of the Act, and 31 Pa. Code § 151.8 Sections (a) through (g), and 31 Pa. Code § 151.9 Sections (a) through (f), of the Regulations. The Resident Agreement contains the necessary information required of the Act and the Regulations.

PENDING LITIGATION

There was no 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 examination date.

FINANCIAL STATEMENTS

The financial condition of the Provider, as of June 30, 2008, 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 Cash Flows;

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

ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY

- 8 -

Comparative Balance Sheet
as of June 30,

	2008	2007
Assets		
Cash	\$ 289,558	\$ 275,700
Assets Limited as to use	7,834	8,671
Accounts Receivables, net of allowance	1,128,621	1,376,571
Receivable - other	80,938	9,300
Inventory	7440	30,041
Prepaid expenses and deposits	121,190	77,289
Total Current Assets	1,635,581	1,777,572
Assets Limited as to use, net amount required for current liabilities	884,256	1,002,054
Property and equipment, net	32,656,257	29,922,426
Deposits	0	3,440
Investment in affiliated organization	123,027	123,027
TOTAL ASSETS	\$ 35,299,121	\$ 32,828,519
Liabilities		
Line of Credit	\$ 4,985,402	\$ 3,508,885
Current maturities on long-term debt	356,942	329,479
Demand loans to individuals	455,000	591,979
Accounts payable and accrued expenses	1,489,474	846,509
Accrued payroll, benefits, and related taxes	366,411	339,678
Advance construction billings	0	360,000
Other	3,843	3,163
Total Current Liabilities	7,657,072	5,979,693
Long-Term Portion of Long-Term Debt	5,707,169	6,032,758
Refundable Entrance Fee	5,058,750	4,801,541
Deferred Entrance Fee Revenue	8,465,541	8,106,746
Total Liabilities	26,888,532	24,920,738
Net Assets		
Unrestricted	8,383,327	7,858,751
Temporarily Restricted	27,262	49,030
Total Net Assets	8,410,589	7,907,781
Totals Liabilities and members' Equity (Deficit)	\$ 35,299,121	\$ 32,828,519

ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY

- 9 -

Comparative Statement of Operations
for the Year Ended June 30,

	2008	2007
Revenue, gains and Other Support		
Resident service and patient revenues from nonresidents, including amortization of non-refundable advance fees	\$ 14,410,292	\$ 13,636,070
Contributions	146,009	74,671
Net assets released from restriction used for operations	73,347	4,632
Investment income, net	27,900	19,038
Other	59,252	67,614
Total underwriting deductions	14,716,800	13,802,025
Expenses		
Independent living	1,768,025	1,558,795
Assisted living	717,288	691,480
Health care	3,693,236	3,623,623
Resident services	338,294	363,226
Adult day services	179,807	172,007
Dining services	1,585,081	1,540,438
Housekeeping	338,562	318,462
Laundry	195,338	201,052
Plant operation	536,919	691,897
Administration	1,521,254	1,609,235
Aquatic and fitness	74,201	89,131
Rehabilitation therapy	419,574	327,749
Other	171,647	72,586
Interest	550,421	673,547
Depreciation	1,792,494	1,592,864
Retirement Funding	162,841	159,872
Total Expenses	14,044,982	13,685,964
Operating Losses	671,818	116,061
Net unrealized gains on other than trading securities	(147,242)	120,236
Increase (Decrease) in Unrestricted Net Assets	<u>524,576</u>	<u>236,297</u>
Changes in Temporarily Restricted Net Assets		
Contributions	51,579	2,234
Net assets released from restriction	(73,347)	(4,632)
Increase (decrease) in Temporarily Restricted Net Assets	<u>(21,768)</u>	<u>(2,398)</u>
Increase (Decrease) in Net Assets	<u>502,808</u>	<u>233,899</u>
Net Assets - Beginning of Year	<u>7,907,781</u>	<u>7,673,882</u>
Net Assets - End of Year	<u>\$ 8,410,589</u>	<u>\$ 7,907,781</u>

ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY

- 10 -

Comparative Statement of Cash Flow
for the Year Ended June 30,

	2008	2007
Cash from Operating Activities		
Cash received from residents and third party payors	\$ 13,110,740	\$ 12,353,521
Entrance Fee Received	2,995,501	2,428,447
Other receipts from operations	3,410	57,547
Investment income received	33,018	23,966
Contributions received	197,588	76,905
Cash paid to employees and suppliers	(11,631,892)	(11,212,746)
Refunds of deposits and entrance fees	(831,996)	(640,505)
Interest paid	(554,821)	(694,471)
Net cash from operations	<u>3,321,548</u>	<u>2,392,664</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(4,920,495)	(2,635,936)
Proceeds from shared real estate project	600,000	0
Proceeds from advance construction billings	0	150,000
(Purchase) sales of other assets whose use use is limited, net	(28,607)	(12,058)
Net cash from investments	<u>(4,349,102)</u>	<u>(2,497,994)</u>
Cash from Financing Activities		
Proceeds from line of credit borrowings, net of repayments	1,476,517	893,985
Proceeds from demand loans from individuals	132,403	50,089
Repayment of Demand loans from individuals	(269,382)	(529,269)
Repayment of long-term debt	(298,126)	(309,838)
	<u>1,041,412</u>	<u>104,967</u>
Net increase (decrease) in cash	13,858	(363)
Reconciliation of cash and short-term investments:		
Beginning of year	275,700	276,063
End of year	<u>\$ 289,558</u>	<u>\$ 275,700</u>

NOTES TO THE FINANCIAL STATEMENTS

STATUTORY MINIMUM LIQUID RESERVE

\$697,560

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 \$697,560 and number (2) is \$250,000 as of June 30, 2008. The Provider's reserve of \$1,181,060 satisfies the statutory requirement.

RECOMMENDATIONS

PREVIOUS RECOMMENDATIONS

There were no recommendations made as a result of the prior examination.

CURRENT RECOMMENDATIONS

There were no recommendations made as a result of the prior examination.

ROCKHILL MENNONITE HOME
d/b/a ROCKHILL MENNONITE COMMUNITY

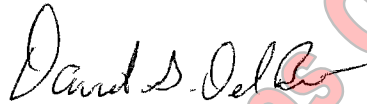
- 12 -

CONCLUSION


The examination of Rockhill Mennonite Home, made as of June 30, 2008, has determined that they appear to be in compliance with all applicable Pennsylvania laws and regulations as they pertain to Continuing Care Retirement Communities.

This examination was conducted by Bernard Mingo.

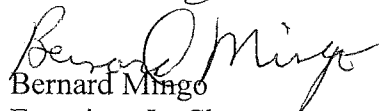
Respectfully submitted,



David G. DelBiondo, CPA
Director
Bureau of Financial Examinations



John P. Leddy,
Examination Manager



Bernard Mingo
Examiner-In-Charge