

**Examination Warrant Number 17-251364240-CP-2**

**Report of Examination of**  
**Rolling Fields, Inc.**  
**Conneautville, Pennsylvania**  
**As of December 31, 2017**

**For Informational Purposes Only**

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Harrisburg, Pennsylvania  
July 29, 2019

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

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 17-251364240-CP-2 dated January 18, 2019, 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 made of

**Rolling Fields, 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 9108 State Highway 198, Conneautville, Pennsylvania 16406.

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, 2013 through December 31, 2017 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 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").

During the period under examination, the Provider hired the certified public accounting firm of Carbis Walker LLP who merged and changed their name to Arnett Carbis Toothman LLP in 2015. The firm provided an unmodified audit opinion on the Provider's year-ending 2013 through 2016 financial statements. The certified public accounting firm of Bonadio & Co., LLP ("CPA") provided an unmodified audit opinion on the Provider's year-ending 2017 financial statements based on accounting principles generally accepted in the United States of America ("GAAP"). 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 Provider was incorporated on April 13, 1979 as a skilled nursing facility. The Provider was issued a Certificate of Authority to operate as a CCRC on January 28, 2008 and is currently a 181-bed nursing facility with four independent living apartment units. In March 2018 the Provider was purchased by The Gerry Homes, a New York not-for-profit corporation.

## **DESCRIPTION OF FACILITY**

The Provider is a 181-bed nursing facility with a section specifically for Alzheimer patients and four independent living apartment units for the CCRC residents. Currently there are 155 nursing home residents and two CCRC residents. The Provider's facilities are located at 9108 State Highway 198, Conneautville, Pennsylvania 16406. In October 2018 the Provider lost one of the two buildings for CCRC residents in a tornado, and therefore currently has only two available independent living apartment units. The two apartments that were destroyed are in the process of being rebuilt. The independent living apartment units consist of two bedrooms, one bath, a kitchen, and laundry room and an attached garage.

## **FEES AND SERVICES**

As of December 31, 2017, the Entrance Fee was \$18,000 per unit for single occupancy and \$24,000 for double occupancy. The Monthly Maintenance Fee was \$840 for single occupancy and \$1,260 for double occupancy.

Optional products and services that are offered by the Provider include:

Personal Laundry	\$15
Guest Meals	A la carte charges apply
House Cleaning:	\$15 per hour beyond the 2 hours already provided.
Beauty Shop	
Perm or color	\$25
Wash/Cut & Set	\$12
Medication Mangament	\$36 per hour beyond the 1 hour already provided.
Transportation	\$20 per hour plus Federal reimbursable milage rate.
Tanning Beds	\$2 per session
Television Cable/Wifi	Carrier's rate
Personal Telephone	Carrier's rate
Certified Caregiver	\$15 per hour

## **REFUND POLICY**

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

The Entrance Fee is refundable, in part, upon termination of this Agreement up until the forty-seventh month of residency at Provider's independent living apartments.

The resident surrenders six percent of the original amount of the paid entrance fee on the occupancy date. The resident agrees to surrender two percent of the original amount of the paid entrance fee per month beginning on the first day of the month immediately following the occupancy date and continuing on the first day of each month thereafter until the expiration of the forty-seventh month.

The resident shall be entitled to the remaining portion of the entrance fee which has not been surrendered to owner upon termination of the agreement. If the resident chooses to terminate this agreement, the resident agrees to surrender any portion of the entrance fee which comes due during the required thirty-day notice period.

## **MANAGEMENT AND CONTROL**

### **BOARD OF DIRECTORS**

Management of the Provider is vested in its Board of Directors ("Board"), which was comprised of the following members as of the examination date, December 31, 2017:

<b>Name and Address</b>	<b>Principal Occupation</b>
Marlene L. Braham Naples, FL	President Rolling Fields, Inc.
Kimberly B. Moody Meadville, PA	Vice-President/Treasurer Rolling Fields, Inc.
Cynthia L. Godfrey Meadville, PA	Vice-President/Secretary Rolling Fields, Inc.

### **OFFICERS**

As of the examination date, December 31, 2017, the following officers were appointed and serving in accordance with the Provider's By-Laws:

<b>Name</b>	<b>Title</b>
Marlene L. Braham	President
Kimberly Braham- Moody	Vice-President/Treasurer
Cynthia L. Godfrey	Vice-President/Secretary

## **CORPORATE RECORDS**

### **ARTICLES OF INCORPORATION**

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

### **BY-LAWS**

There were no amendments to the Provider's By-Laws during the period of examination.

### **ANNUAL DISCLOSURE STATEMENT**

The Provider's 2017 Annual Disclosure Statement was reviewed for compliance with the Act and Regulations, specifically § 151.7 and § 151.9. The examiner found that the 2017 annual disclosure statement was not in compliance with all information required by the Act and the Regulations. The examiner noted that the Provider did not include the minimum age for admission, including exceptions for spouses/companions, or a statement of the current resident population.

*It is recommended that the Provider include the various requirements of 31 Pa. Code § 151.7(c) in their Disclosure Statement.*

### **RESIDENT AGREEMENT**

The Provider's current Resident Agreement was reviewed for compliance with the Act, 40 P.S. § 3214, and the Regulations, specifically § 151.8 and § 151.9. The examiner found that the current 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 date of this examination report.

## FINANCIAL STATEMENTS

The financial condition of the Provider, as of December 31, 2017, and the results of its operations are reflected in the following statements\*:

Balance Sheet;  
Statement of Comprehensive Income;  
Statement of Cash Flow.

Only one year of financial information is presented since the 2017 CPA firm failed to file the 2017 audited statements in a comparable manor. The CPA also failed to file a communication of internal controls with the Department.

***It is recommended that the audited financial statements are presented in a comparable manor per 31 Pa. Code § 147.4 and that a communication of internal controls is filed with the Department each year per 31 Pa. Code § 147.9a (b).***

\*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

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**Balance Sheet**  
**For the Year Ended December 31, 2017**

<b>Assets</b>	<b><u>2017</u></b>
<b>Current Assets</b>	
Cash	\$ 199,995
Resident accounts receivable, net	1,633,898
Estimated third-party payer settlements	292,251
Prepaid Expenses	105,467
<b>Total Current Assets</b>	<b><u>2,231,611</u></b>
Land, Buildings, and Equipment, net	3,293,328
Note Receivable from Shareholder	100,000
Assets whose use is Limited	24,615
Resident Funds	162,273
Interest Swap	5,616
<b>Total Assets</b>	<b><u><u>\$ 5,817,443</u></u></b>
<b>Liabilities and Stockholders' Equity</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 206,758
Accrued payroll liabilities	346,205
Refundable entrance fees	13,320
Current portion of long-term debt	423,228
<b>Total Current Liabilities</b>	<b><u>989,511</u></b>
Resident Funds	162,273
Long-Term Debt, Net	1,352,892
Deferred Revenue from Entrance Fees	4,119
<b>Total Liabilities</b>	<b><u>2,508,795</u></b>
<b>Stockholders' Equity</b>	
Common stock, \$10 par value per share; authorized 200,000 shares; issued 8,000	80,000
Additional paid-in capital	80,504
Retained earnings	3,646,528
Accumulated Other Comprehensive Income	5,616
	<u>3,812,648</u>
Cost of Treasury Stock, 2,117 shares	<u>(504,000)</u>
<b>Total Stockholders' Equity</b>	<b><u>3,308,648</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u><u>\$ 5,817,443</u></u></b>



**Statement of Comprehensive Income  
For the Year Ended December 31, 2017**

<b>Revenue and Other Support</b>	<b><u>2017</u></b>
Net resident service revenue	\$ 13,681,021
Childcare center service revenue	60,808
Entrance fee revenue	10,677
Other	41,190
<b>Total Revenue and other support</b>	<b><u>13,793,696</u></b>
 <b>Operating Expenses</b>	
Salaries and benefits	8,298,664
Supplies and other	3,572,082
Cash receipts assessment	462,553
Depreciation	258,792
Interest expense and financing fees	95,240
Provision for bad debts	71,731
<b>Total operating expenses</b>	<b><u>12,759,062</u></b>
<b>Operating income</b>	<b>1,034,634</b>
 <b>Non-operating income (expenses)</b>	
Guest meal income	130,110
other non-operating revenue	20,241
Investment income	12,634
Loss on disposal of property and equipment	(3,810)
Loss on abandonment of renovation projects	(109,194)
<b>Total non-operating income, net</b>	<b>49,981</b>
<b>Net Income</b>	<b><u>1,084,615</u></b>
 <b>Other Comprehensive Income</b>	
Change in fair value of interest rate swap	21,229
 <b>Total Comprehensive Income</b>	 <b><u><u>\$ 1,105,844</u></u></b>

**Statement of Cash Flow**  
**For the Year Ended December 31, 2017**

<b>Cash flow from operating activities:</b>	<b><u>2017</u></b>
Net income	\$ 1,084,615
Adjustments to reconcile net income to net cash flow from operating activities:	
Depreciation	258,792
Amortization of deferred financing cost	1,730
Loss on disposal of property and equipment	3,810
Loss on abandonment of renovation projects	109,194
Provision for bad debts	71,731
Entrance fee revenue	(10,677)
Changes in:	
Resident accounts receivable, net	(167,218)
Estimated third-party payer settlements	17,540
Prepaid expenses	3,663
Accounts payable and accrued expenses	(37,923)
Accrued payroll liabilities	(1,400)
<b>Net cash flow from operating activities</b>	<b><u>1,333,857</u></b>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(57,578)
increase in assets whose use is limited	(42)
<b>Net cash flows from investing activities</b>	<b><u>(57,620)</u></b>
<b>Cash flows from financing activities:</b>	
Principal payments on long-term debt	(428,190)
Repayments on line of credit	(150,000)
Receipt of entrance fees	18,001
Distributions to stockholders	(607,144)
<b>Net cash flows from financing activities</b>	<b><u>(1,167,333)</u></b>
<b>Change in cash and cash equivalents</b>	<b>108,904</b>
<b>Cash and Cash equivalents - beginning of year</b>	<b><u>91,091</u></b>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 199,995</u></b>
<b>Supplemental Disclosure of Cash Flow Information</b>	
Interest paid	<b><u>\$ 94,109</u></b>

## NOTES TO FINANCIAL STATEMENTS

### STATUTORY MINIMUM LIQUID RESERVE

**\$21,686**

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 \$9,892, and the value of (2) is \$21,686. As of December 31, 2017, the Provider had established and reported a reserve of \$24,615 for this purpose. The examiner determined that the Provider's current assets satisfy this requirement.

### ESCROW ACCOUNT REQUIREMENTS

Currently, the Provider does not accept Entrance Fee deposits from CCRC residents prior to the date of occupancy, and therefore does not maintain an 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's Disclosure Statement indicates that an escrow account will be established with a bank as required by 40 P.S. § 3212.

### SUBSEQUENT EVENTS

The Provider completed a stock purchase agreement with Heritage Ministries Charitable Care Network ("Heritage") in March 2018. Heritage became the sole shareholder of the Provider.

## RECOMMENDATIONS

### PRIOR EXAMINATION

The prior examination report contained the following recommendation:

1. *It was recommended that the Provider amend the resident agreement so that it describes the circumstances under which the resident will be permitted to remain in the facility in the event of financial difficulties of the resident, as required by 40 P.S. § 3214(a)(5).*

The Provider complied with the recommendation.

### CURRENT EXAMINATION

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

1. *It is recommended that the Provider include the various requirements of 31 Pa. Code § 151.7(c) in their Disclosure Statement. (See "Annual Disclosure Statement" Page 4)*
2. *It is recommended that the audited financial statements are presented in a comparable manner per 31 Pa. Code § 147.4 and that a communication of internal controls is filed with the Department each year per 31 Pa. Code § 147.9a (b). (See "Financial Statements" Page 5)*

## CONCLUSION

As a result of our examination, we conclude that Rolling Fields, Inc., is in compliance with all applicable Pennsylvania laws and regulations as pertaining to CCRCs as of December 31, 2017, except as noted in the recommendations discussed on page 10.

This examination was conducted by Jordan R. Fulton.

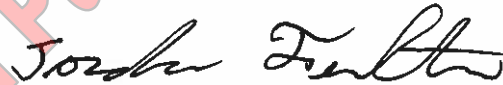
Respectfully,



Melissa L. Greiner  
Director  
Bureau of Financial Examinations



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



Jordan R. Fulton  
Examiner-in-Charge

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