

Examination Warrant Number 18-241146769-CP-2

Report of Examination of
St. Anne Home
Greensburg, Pennsylvania
As of June 30, 2018

For Informational Purposes Only

TABLE OF CONTENTS

Subject	Page
Salutation	1
Scope of Examination	1
History.....	2
Description of Facility	2
Fees and Services.....	2
Refund Policy.....	3
Management and Control:	
Board of Directors.....	4
Officers	5
Corporate Records:	
Articles of Incorporation.....	5
By-Laws.....	5
Annual Disclosure Statement.....	6
Resident Agreement.....	6
Pending Litigation.....	6
Financial Statements:	
Comparative Balance Sheet	7
Comparative Statement of Operations.....	8
Comparative Statement of Cash Flows.....	9
Notes to Financial Statements:	
Statutory Minimum Liquid Reserve	10
Escrow Account Requirements.....	10
Subsequent Events	10
Recommendations:	
Prior Examination	10
Current Examination.....	10
Conclusion	11

For Informational Purposes Only

Harrisburg, Pennsylvania
April 17, 2020

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 18-241146769-CP-2, dated June 25, 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

St. Anne Home

a Pennsylvania domiciled continuing-care retirement community (“CCRC”), hereinafter referred to as the “Provider” The examination was conducted at the Provider’s home office, located at 685 Angela Drive, Greensburg, Pennsylvania 15601.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Provider which was last examined as of June 30, 2013. This examination covered the period from July 1, 2013 through June 30, 2018.

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”).

For the year ending June 30, 2014, the certified public accounting firm (“CPA”) of Parente Beard, LLC, issued an unmodified audit opinion on the Provider’s year-end financial statements based on statutory accounting principles.

For the years ending 2015, 2016, and 2017, the CPA of Baker Tilly Virchow Krause, LLP, issued an unmodified audit opinion on the Provider’s year-end financial statements based on statutory accounting principles.

For the year ending June 30, 2018, the CPA of Arnett Carbis Toothman, LLP, issued an unmodified audit opinion on the Provider’s year-end financial statements based on statutory accounting principles.

Relevant work performed by the CPA on the Provider's latest audit, year ending June 30, 2018, was reviewed during the examination and incorporated into the examination workpapers

HISTORY

The Provider was incorporated on September 18, 1964, as the St. Anne Home for The Elderly. The Provider was established by the Diocese of Greensburg as a 125-bed nursing facility operated by the Felician Sisters of Pennsylvania. St Anne Home is Felician Sisters' community dedicated to the healing mission and providing a continuum of care and supportive services to adults and their families.

On October 27, 1993, the Provider adopted its current name of St. Anne Home. In November of 1997, the Provider established a personal care facility with 44 apartments having the capacity to accommodate 54 residents.

On February 27, 2009, the Department granted a Certificate of Authority to the Provider to operate as a CCRC. The first CCRC resident was admitted to the facility in March 2009. As of June 30, 2018, the Provider has 10 CCRC residents.

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

DESCRIPTION OF FACILITY

The Provider offers intermediate and skilled nursing in a large three-story building in Greensburg, Pennsylvania that consists of 125 licensed nursing care beds and 54 licensed personal care beds. The CCRC community is comprised of eight single family homes all located within 900 feet of the Provider.

FEES AND SERVICES

As of June 30, 2018, the Provider offered the following three options on the entrance fee:

- Option I amortizes 100% of the entrance fee at 2% over 50 months from the date of occupancy. In the event, that termination occurs during the amortization period, the resident will be entitled to a refund of the unamortized portion. After the 50 months lapses, the resident is not entitled to a refund. For this option, the entrance fee ranged from \$10,000 to \$18,000 and the monthly service fee ranged from \$275 to \$1,435.
- Option II includes an entrance fee that is 50% refundable. The 50% portion that is non-refundable is amortized over 50 months from the day of occupancy. After the 50-month amortization period, the resident is entitled to a refund of 50% of the entrance fee upon termination of the agreement. For this option, the entrance fee ranged from \$20,000 to \$29,325 and the monthly service fee ranged from \$508 to \$1,405.

- Option III includes an entrance fee that is 90% refundable. The 10% portion that is non-refundable is amortized over 50 months from the date of occupancy. After the 50-month amortization period, the resident is entitled to a refund of 90% of the entrance fee upon termination of the agreement. For this option, the entrance fee ranged from \$40,000 to \$51,500 and the monthly service fee ranged from \$471 to \$1,360.

REFUND POLICY

The following describes the Provider's refund policy which does comply with all provisions of the Act and the Regulations. In the event of termination during the amortization period, the resident is entitled to a refund of the unamortized portion of the entrance fee. At the end of the amortization period, the resident is entitled to the refundable portion of the entrance fee under Options II or III.

Refunds are reduced by any upgrades or improvements made at the specific request of the resident. After occupancy, refunds are further reduced for any financial assistance provided to the resident. Additionally, refunds can be reduced to cover the Provider's cost to refurbish, repair, or restore the residence as a result of unreasonable wear and tear. No interest will accrue to the benefit of the resident or the resident's estate on any amounts required to be refunded under the Resident Agreement ("Agreement").

Termination Before Occupancy

Any entrance fee payments will be refunded in full if the resident rescinds the Agreement within seven days in accordance with the Notice of the Right to Rescind.

In the event of termination of the Agreement for any reason prior to the occupancy date or the designated occupancy date, whichever is earlier, the Provider will make a full refund of any entrance fees, less any amounts deducted to cover expenses incurred by the Provider for any upgrades or improvements requested by the resident. If two individuals have signed the Agreement for double occupancy, the death of one co-resident will not constitute the termination of the Agreement.

Termination After Occupancy

In the event of termination after occupancy, the resident will be entitled to a refund of the unamortized amount of the entrance fee, if any, less deductions for any financial assistance provided to the resident by St. Anne Home and any amounts to cover costs incurred by the Provider to refurbish, restore, or repair the residence in the event of unreasonable wear and tear, and/or to cover costs incurred at the resident's specific requests, or any unpaid charges.

Refund Where Two Residents Execute the Agreement

In situations of double occupancy, the residents are jointly and severally liable for each other's financial obligations and for all payments due under the Agreement. If one co-resident

dies or leaves the Provider, both co-residents and or their estates remain jointly and severally liable for all financial obligations incurred by either co-resident under the Agreement.

Conditions and Due Date for Refund Payments

For an Agreement terminated prior to occupancy, any refund payments will be made within 30 days of the termination of the Agreement.

For an Agreement terminated after occupancy, refunds will be made within 30 days after all the following conditions have been met:

- a) The residence has been vacated and surrendered.
- b) The keys to the residence have been returned to the Provider.
- c) All personal belongings have been removed from the premises.
- d) The Agreement has been terminated.
- e) The Provider has accepted and entered into a new Agreement for the residence most recently occupied, and the 7-day rescission period has expired.
- f) The replacement entrance fee has been paid in full.
- g) The new resident has taken occupancy.

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, June 30, 2018:

Name and Address	Principal Occupation
Reverend Daniel Blout Greensburg, Pennsylvania	Clergy Diocese of Greensburg
Sandra Brammell Export, Pennsylvania	President Able Tool Company
Helen Burns Latrobe, Pennsylvania	Registered Nurse Excelsa Health
George Butler Greensburg, Pennsylvania	Attorney Mahady & Mahady
Robert Getto, Jr. Cincinnati, Ohio	Chief Executive Officer Fechheimer Brothers, Inc.
Father Stephen Honeygosky, Ph.D. Latrobe, Pennsylvania	Catholic Priest & College Professor St. Vincent Archabbey & College
John Kline Greensburg, Pennsylvania	Commercial Loan Manager S&T Bank

St. Anne Home

-5-

Jeffrey Long Greensburg, Pennsylvania	President and Chief Executive Officer St. Anne Home
Iva Munk Mt. Pleasant, Pennsylvania	Retired
David Raimondo Greensburg, Pennsylvania	President Raimondo Construction Company, Inc.
Donna Sell Saxonburg, Pennsylvania	Registered Nurse Felician Sisters of North America
Reverend Leonard Stoviak Greensburg, Pennsylvania	Retired
Sister Mary Jessica Terek Beaver Falls, Pennsylvania	Felician Sister Felician Sisters of North America
David Ward Chicago, Illinois	Healthcare Administrator Felician Services, Inc.
Marie Zanotti Greensburg, Pennsylvania	Retired

OFFICERS

As of the examination date, June 30, 2018, the following officers were appointed:

Name	Title
Jeffrey Long	President
Mark Bushnell	Treasurer/ Secretary

CORPORATE RECORDS

ARTICLES OF INCORPORATION

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

BY-LAWS

There were no amendments made to the Provider's by-laws during the period of examination.

ANNUAL DISCLOSURE STATEMENT

The Provider's 2018 Annual Disclosure Statement was reviewed for compliance with the Act and Regulations, specifically 31 Pa. Code § 151.7 and § 151.9. The examiner found that the 2018 Annual Disclosure Statement was not in compliance as a valid pro forma financial statement was not included to show the financial projections for the Provider for the upcoming fiscal year.

It is recommended that the Provider include a pro forma financial statement in its Disclosure Statement as required by 40 P.S. § 3207(b)(2).

RESIDENT AGREEMENT

The Provider's 2018 Agreement was reviewed for compliance with the Act, 40 P.S. § 3214, and the Regulations, specifically 31 Pa. Code § 151.8 and § 151.9. The 2018 Agreement was in compliance with all information required by the Act and the Regulations.

PENDING LITIGATION

The Provider is not part of any pending litigation that could have a material impact on financial solvency.

FINANCIAL STATEMENTS

The following financial statements were provided to the Department by the Provider, as of June 30, 2018:

Comparative Balance Sheet;
Comparative Statement of Operations; 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 June 20, 2018. There were no changes made to the financial statements as a result of this examination.

**Comparative Balance Sheet
For the Year Ended June 30**

ASSETS	2018	2017
CURRENT ASSETS		
Cash	\$ 1,703,268	\$ 1,510,996
Resident trust funds	13,332	13,251
Accounts receivable, resident net of allowance for doubtful accounts (2018 \$231,000 and 2017 \$120,000)	1,045,505	1,343,956
Accounts receivable other	30,542	147,055
Prepaid expenses and other current assets	188,630	204,584
Total Current Assets	2,981,277	3,219,842
 Pledges Receivable, net of allowance for uncollectible pledges (2018 \$11,000 and 2017 \$14,000) By donor or regulation	 209,271	 256,919
ASSETS WHOSE USE IS LIMITED		
Board designated investments	22,333,136	21,517,899
Workers compensation fund	20,000	15,083
Act 82 reserve	79,215	74,731
Construction reserve fund	1,357,340	
Total assets whose use is limited.	23,789,691	21,607,713
 PROPERTY AND EQUIPMENT, net	 24,270,892	 20,945,551
TOTAL ASSETS	\$ 51,251,131	\$ 46,030,025
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 396,977	\$ -
Accounts payable	549,844	520,369
Resident trust Funds	13,332	13,251
Accrued expenses	904,228	872,314
TOTAL CURRENT LIABILITIES	1,864,381	1,405,934
 Accounts payable, capital expenditures	 216,543	 198,558
Long-term debt, net	14,656,571	11,176,539
Accrued pension cost	397,549	892,155
Accrued Workers Compensation	280,685	326,678
Deferred revenue from advance fees, net	90,523	94,429
TOTAL LIABILITIES	17,506,252	14,094,293
 NET ASSETS		
Unrestricted	33,581,964	31,643,993
Temporarily restricted,	162,915	291,736
 Total Net Assets	 33,744,879	 31,935,729
 TOTAL LIABILITIES AND NET ASSETS	 \$ 51,251,131	 \$ 46,030,022

Comparative Statement of Operations For the Year Ended June 30

OPERATING REVENUE	2018	2017
Net residence service fee	\$ 13,645,653	\$ 13,215,631
Pennsylvania nursing home assessment	555,723	555,723
Other operating revenue	161,885	212,409
Net assets released from restrictions used for operations	31,937	6,730
Total operating income	14,395,198	13,990,493
OPERATING EXPENSES		
Salaries and wages	7,265,916	7,227,205
Employee benefits	1,729,463	1,794,021
Other operating	1,095,515	993,004
Purchased medical services	1,018,521	1,045,841
Plant operations and maintenance	687,457	686,688
Depreciation	674,611	647,134
Food	565,838	543,355
Payroll taxes	544,315	548,032
Pharmacy	444,577	527,271
Pennsylvania nursing home assessment	287,375	287,375
Bad debt provision	189,494	252,177
Professional fees	51,118	50,633
Interest	-	7,835
Total operating expenses	14,554,200	14,610,571
Income (Loss) from operations	(159,002)	(620,078)
NON-OPERATING REVENUE		
Investment income	1,313,507	2,403,936
Contributions and bequests	195,231	204,689
Development expenses	(116,371)	(130,233)
Total non-operating revenue	1,392,367	2,478,392
Excess of revenue over expense	1,233,365	1,858,314
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Pension liability adjustment	494,606	762,949
Net assets released from restrictions used for purchase of property and equipment	210,000	228,400
Increase in unrestricted net assets	\$ 1,937,971	\$ 2,849,663

Comparative Statement of Cash Flow For the Year Ended June 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,809,150	\$ 2,939,920
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	674,611	647,134
Amortization of debt issuance costs	0	3,101
Amortization of advance fees	(3,906)	(3,904)
Provision for bad debts	189,494	252,177
Net realized and unrealized gains on investments	(397,166)	(1,900,541)
Restricted contributions	(113,116)	(325,387)
Increase (decrease) in assets:		
Accounts Receivable, residents	108,957	(462,236)
Accounts receivable, other	116,513	(102,394)
Pre-paid expenses and other current assets	15,954	(123,399)
Pledges receivable	47,645	(70,386)
Increase (decrease) in Liabilities		
Accounts payable	29,475	84,121
Accrued expenses	31,914	44,332
Estimated third party payor settlements		(121,940)
Accrued pension cost	(494,606)	(762,949)
Accrued workers' compensation	(45,993)	(28,533)
Net cash provided by operating activities	1,968,926	69,116
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,783,409)	(6,517,226)
Net purchases of investments	(1,784,812)	(307,726)
Payments of accounts payable, construction	(198,558)	(411,358)
Decrease in investment risk detention group		114,793
Net cash (used in) investing activities	(5,766,779)	(7,121,517)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	3,912,873	6,213,618
Proceeds received from restricted contributions	113,116	325,387
Repayment of long-term debt	(35,864)	(489,840)
Net cash provided by financing activities	3,990,125	6,049,165
Net increase (decrease) in cash	192,272	(1,003,236)
CASH:		
Beginning	1,510,996	2,514,232
Ending	\$ 1,703,268	\$ 1,510,996
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
interest paid, excluding capitalized interest	\$ -	\$ 4,734
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accounts payable incurred for purchase of property and equipment	\$ 216,543	\$ 198,558

NOTES TO FINANCIAL STATEMENTS

STATUTORY MINIMUM LIQUID RESERVE

\$79,215

In accordance with 40 P.S. § 3209, the Provider must establish and maintain a statutory minimum 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 \$43,270 and the value of (2) is \$79,215. As of June 30, 2018, the Provider had established and reported a reserve of \$79,215 for this purpose.

ESCROW ACCOUNT REQUIREMENTS

The Provider does not accept deposits from CCRC residents prior to 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

In the fiscal year ended June 30, 2016, the Provider began a renovation and expansion of its skilled nursing facility to 155 beds. The renovation was completed in March of 2019.

RECOMMENDATIONS

PRIOR EXAMINATION

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

CURRENT EXAMINATION

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

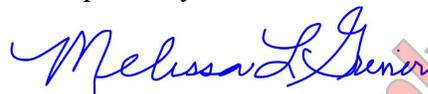
1. *It is recommended that the Provider include a pro forma financial statement in its Disclosure Statement as required by 40 P.S. § 3207(b)(2) (see "Annual Disclosure Statement", page 6).*

CONCLUSION

The examination of St. Anne Home, as of June 30, 2018, was determined not to be in compliance with all applicable Pennsylvania laws and regulations as pertaining to CCRCs.

This examination was conducted by Robert W. Smith, CFE.

Respectfully,



Melissa L. Greiner
Director
Bureau of Financial Examinations



Shannon Hopkins (Sep 10, 2020 07:53 EDT)

Shannon Hopkins, CFE
Examination Manager



Robert W. Smith, CFE
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However, the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.

For Informational Purposes Only