CONSUMER GUIDE TO UNDERSTANDING

FINANCIAL PERFORMANCE & REPORTING

in Continuing Care Retirement Communities

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Consumer Guide to Understanding Financial Performance and Reporting in Continuing Care Retirement Communities
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Planning for a secure, comfortable and enjoyable retirement requires much forethought. Where to live, how to ensure access to needed services and care, how to pay for expenses, and how to spend leisure time all must be considered. One option is to choose a continuing care retirement community (CCRC), which provides housing, healthcare, and recreational activities under a contractual agreement. The decision to move to a CCRC requires a significant personal financial commitment for the consumer. In return, the CCRC has an obligation to the consumer to have the resources necessary to provide services as outlined in the contractual agreement.

When choosing a CCRC, a consumer should consider many factors, including the CCRC’s financial status, location, and amenities; varied nature and terms of resident contracts (residency agreements); quality of care provided; and culture of the community. The following provides an overview of some key concepts related to financial performance of CCRCs and some specific issues to contemplate when considering a move into a CCRC.

CCRCs may include a combination of living arrangements, including:

- Independent living cottages, apartments, or efficiencies.
- Supported or assisted living apartments or in-home support services.
- Specialized dementia care.
- Short-term rehabilitative and/or long-term nursing care.
- Hospice care.

Because CCRCs offer many services within the same campus, a consumer can receive the level of support he or she needs while remaining in a familiar community near friends and loved ones.
Typically, the consumer moves to the CCRC while he or she is still fairly independent, and the expectation is that he or she may transition to other levels of care when additional support services are needed. Knowing that care is available if an individual’s needs change may offer a sense of security to consumers and their families. Similarly, CCRCs often offer other amenities such as fitness centers, dining services, hobby activities, and group outings.

Entrance Fee Structure

Most CCRCs require payment of a one-time fee, usually called the entrance fee, before moving to the community. The entrance fee amount often depends on the level of care at the time of entry, type of housing chosen (with larger units requiring a larger fee), and agreement type. The entrance fee allows the CCRC to offer lower monthly fees and provide for future needs of residents. State regulations can impact the terms of the entrance fee, and in some states refunds are called rebates. Entrance fees are typically structured in one of three ways:

**Declining scale refunds**, also known as amortizing entrance fees, specify a period of time in which the entrance fee will be refundable to the resident on a declining basis. For example, if an entrance fee declines at the rate of 2 percent each month, after 6 months 88 percent of the entrance fee is refundable.

**Partially refundable** entrance fees guarantee a specific percentage of the refund that will be returned within a certain period of time regardless of the term of residency. For example, 50 percent of the entrance fee may be refundable upon termination of the contract or to the estate upon the resident’s death.

**Full refunds** offer just that, a full refund of the entrance fee. A fixed charge may be deducted before the refund is made, and the agreement generally states how long the refund is valid and under what conditions a refund is due. Entrance fees that offer full refunds are typically more expensive than those without refunds or those that are partially refundable or refundable on a declining basis.

Refunds are at times not disbursed until the unit has been reoccupied. It is important for the consumer to be aware of this provision in the contract/resident agreement.
Monthly Fees

In addition to defining the structure of the entrance fee, the contract will establish a monthly fee structure. Monthly fees are sometimes referred to as service fees or accommodation fees. In some CCRCs the monthly fee is the same regardless of the level of care. In other CCRCs the monthly fee increases by a little or a lot depending on the level of care required. In addition, the contract will specify what services are included in the monthly fee and what services require an additional fee. Examples of common services include:

- Dining services.
- Transportation.
- Social outings.
- Housekeeping.
- Laundry services.
- Fitness programs.
- On-site medical clinics.
- Beauty salons/barbers.
- Recreational programs and clubs.

Examples of expenses that may not be included are:

- Utilities.
- Real estate taxes.
- Certain healthcare-related services.

CCRC Contract Types

When the decision to move to a CCRC has been made, the consumer and a representative of the organization will usually complete a contract or written agreement that is signed by both parties. The contract specifies the obligations of both the CCRC and the consumer regarding services to be provided and payment for those services. It details the accommodations, services, and care the CCRC is obligated to provide, and it sets forth the financial obligations that new residents assume (the amount of the entrance fee and the amount of the monthly accommodation fee). Within the continuing care field, there are three primary types of CCRC contracts: extensive, modified, and
fee-for-service, as well as a variety of agreements for individual components of the CCRC. The naming of contract types varies somewhat by state, and not all states recognize every contract type. A CCRC may offer only one type of contract or offer a choice of contract types.

**Extensive (Type A) contracts**, sometimes called life care agreements, include housing; residential services; amenities; and unlimited, specific health-related services with little or no substantial annual budgeted increases in monthly payments, except to cover inflation adjustments to operating costs. CCRCs with extensive contracts usually have higher entrance fees, and possibly higher monthly fees, than the other types of contracts highlighted below, but more predictable future costs. Similar to purchasing long-term care insurance, under an extensive contract the consumer transfers the risk of uncertain future healthcare costs to the CCRC. Although the transfer of risk is an advantage for the consumer, a disadvantage is the possibility of paying up front for services that may not be fully utilized. The CCRC must accurately project future costs of care and wisely invest the entrance fees so it can fulfill its obligation to provide care.

**Modified (Type B) contracts** also include housing, residential services, and amenities, but they include only a specific amount of healthcare services (for example, a limited number of days in the health center per year or per lifetime). The specified healthcare services are provided with no substantial increase in monthly payments, but after the specified amount of healthcare has been used the consumer pays either a discounted rate or the full daily rates for needed healthcare services. Modified contracts generally involve a lower entrance fee than extensive contracts. The consumer retains much of the risk of future nursing home costs, and the CCRC assumes less financial risk. Consumers must be aware that if increased services become necessary, they will incur additional costs. The lower entrance fees for modified care contracts can make CCRCs more affordable for consumers who cannot afford the sizable entrance fee of an extensive contract. However, consumers must be aware that it is their responsibility to pay for any future uncovered healthcare costs.

**Fee-for-service (Type C) contracts** include housing, residential services, and amenities for an established fee stated in the contract, but additional healthcare services are not included. Consumers may have priority access to healthcare services, but the consumer may be required to pay established fee-for-service rates. The entrance fee for fee-for-service contracts can be lower than extensive and modified contracts. Although they can be more affordable in the short run, fee-for-service contracts do not offer the financial security of extensive or
modified contracts. The consumer maintains much of the risk and will need to provide additional funding if increased services become necessary. Fee-for-service contracts may be more attractive for consumers who want the range of care offered by a CCRC but cannot afford a large entrance fee or for those who are in better-than-average health and do not anticipate requiring much skilled nursing care.

**Rental agreements (Type D)** allow consumers to rent their housing on a monthly or annual basis. A rental retirement community may provide, but does not guarantee, access to healthcare services that are paid for on a fee-for-service basis.

**Assisted living and nursing care agreements** allow consumers to enter the assisted living unit or healthcare center from an external environment that is not part of the CCRC. The individual pays the established daily rate for the assisted living or nursing care services received. These agreements generally do not guarantee access to more than one level of care.

**Equity agreements (Type E) Equity or Partial Equity** may afford individuals ownership in shares of the community or association (typical co-operative arrangement) by transferring actual ownership of the home, condominium, or townhome within the CCRC. Healthcare and services may be purchased for additional daily or monthly fees. Resale of the home or unit is typically restricted to age- and income-qualified buyers. With an equity agreement, individuals or their estates may benefit from appreciation of the property, as specified by the terms of the agreement. In addition, equity ownership may afford tax benefits such as interest deductions and avoidance of capital gains tax on the sale of the home lived in prior to moving to the CCRC. Individuals may pay property taxes just as they would under non-age-restricted ownership. A substantive risk is that there may be a decline in the property value. Overall, this contract model typically has consumers sharing real estate pricing fluctuations.

Consumers who hold a long-term care insurance policy should carefully consider which contract would provide the most value by being familiar with the insurance policy and discussing the benefits with the marketing representative or other designee.

### Financial Culture of CCRCs

Choosing a CCRC is a long-term commitment, and it is important to evaluate the ability of the community to provide housing, services, and healthcare in the future, in accordance with the resident's
contract. To ensure a well-run and financially secure community, there should be stable leadership with appropriate skills and experience. Another aspect to consider is that CCRCs are subject to licensure and regulation in most states, ranging from disclosure requirements to regulation of reserve requirements, fee increases, etc.

Comparing CCRCs can be challenging, as each community is unique in terms of size, composition of different levels of care, types of agreements offered, and fee structure. Add to that differing amenities and service packages, the organization’s unique mission and philosophy, the influence of the board of directors and senior management, and organizational structure, and there is even more variation in the financial strategies followed by CCRCs. Because comparison of one community with another is difficult, personal fit is a critical issue in selecting a CCRC.

Many CCRCs are **not-for-profit organizations**. Typically, not-for-profits exist primarily for the benefit of the larger community in which the CCRC is located and hold themselves to standards of social accountability. A board of directors may be elected by the community to govern the organization. Not-for-profit organizations, sometimes designated as 501(c)(3) companies by federal IRS tax code, are granted a preferred federal tax status and may not have to pay federal income taxes. In many cases, all or part of the continuum is also exempt from state and local sales and property taxes and may accept tax-deductible donations. This tax-exempt status is based on the taxing authority’s deeming that the organization serves a charitable purpose. Although profit is not the organization’s primary purpose, the organization’s revenues must exceed its expenses over the long term to cover its current and future expenses and obligations. Revenue received in excess of expenses is typically reinvested in the CCRC or retained to mitigate future unforeseen expenses.

Recently, there has been an increase in the number of **for-profit organizations** operating CCRCs. These organizations are accountable to individual owners who may be private investors or shareholders. A board of directors may be appointed to govern the organization. Revenue in excess of expenses may be returned to investors through dividends or other means. It is in the CCRC’s financial best interest to provide high quality services efficiently so that it is attractive to consumers and profitable for investors.

Some CCRCs are independent **single-site entities** that have only one community. Other CCRCs may be **multi-site entities** owned by a parent corporation that operates CCRCs in more than one location. The communities may be located near one another, in the same city...
or metropolitan area, or spread across a larger region such as a state or several states. In general, single-site and smaller organizations will make more decisions locally rather than at the level of the parent company. Larger organizations have the advantage of spreading risk among a larger group, benefiting from economies of scale, and learning from the experience of other communities. However, larger communities must also balance the needs of one community against the needs of the company as a whole; a large expansion at one community may reduce the resources available for expansions of another community owned by the same parent company. When considering CCRCs that are part of multi-site entities, it is important to evaluate the strength of the entire corporation and not just the specific community under consideration.

Many not-for-profit CCRCs are affiliated with *sponsoring organizations* such as religious groups, fraternal organizations, colleges, and other community not-for-profit organizations. Sometimes the sponsoring organizations have legal or financial obligations to the CCRCs. They also may have a designated representative on the board of trustees/directors. The sponsoring groups may also affect the community’s social climate or culture.
To provide housing, healthcare, and other services to its residents, a CCRC must operate on sound business practices. Its income must be adequate to cover expenses as well as provide for the future repair or replacement of buildings and equipment. One way to evaluate the financial strength of a CCRC is to inspect the organization’s financial statements, including the statement of financial position, statement of operations, and statement of cash flow.

Deciding to move to a CCRC and selecting the right one have serious lifestyle and financial ramifications and risks. The consumer is strongly advised to seek the advice of a financial expert to review both the consumer’s financial situation and the financial position of the CCRC(s) under consideration.

The statement of financial position, sometimes called a balance sheet, is often described as a snapshot of the company’s financial condition on a given date. Of the three basic financial statements, the balance sheet is the only statement that applies to a single point in time instead of a period of time. A statement of financial position usually has three parts: assets, liabilities, and net assets (sometimes referred to as equity). The main categories of assets are typically listed first and are followed by the liabilities. The difference between the assets and liabilities is known as the net assets or net worth of the company. According to the basic accounting equation:

\[
\text{Assets} = \text{Liabilities} + \text{Net Assets}
\]

\[
\text{Therefore, } \text{Assets} - \text{Liabilities} = \text{Net Assets}
\]

The organization’s assets and liabilities should be managed to ensure financial flexibility and the ability to meet the needs of persons served and stakeholders. A statement of financial position, or balance sheet, by definition must balance between assets on one hand and liabilities and net assets on the other. Assets include
items such as buildings or other property and cash. Liabilities are financial obligations of the organization such as debt payments and prepaid services.

Entry fees are a cash payment received in one period that entitle the resident to accommodations or services in the future. For this reason, accounting guidelines have established a standard accounting treatment such that refundable and nonrefundable entry fees paid by CCRC residents generally appear on a CCRC’s financial statements as a liability, typically called deferred revenue. This liability declines over the resident’s expected lifetime through recognition of the deferred revenue as actual revenue. A CCRC’s liabilities also include debt incurred to fund the development and construction of the CCRC plus the deferred revenue or entry fees paid by new residents. If liabilities exceed assets, the statement of financial position can balance only by having negative net assets.

Simply because a CCRC has a negative net asset value does not necessarily mean it is insolvent (i.e., the organization is not necessarily unable to pay debts as they become due in the usual course of business, nor does it necessarily have liabilities in excess of a reasonable market value of assets held). Many new CCRCs begin with negative net assets. Essentially, they have more future obligations than they have assets on hand at that point in time. However, the CCRC will also have a commitment for a steady stream of income from residents, which should enable them to meet their liabilities.

Beyond negative net asset value, additional areas of focus on the balance sheet include the organization’s:

- Liquidity level (cash & investments) and related metrics of Days Cash on Hand or Cash to Debt.

- Entrance fee liability, including the sufficiency of entrance fees to cover future service obligations and the magnitude of entrance fee refund obligations, including any backlog of refunds due on vacated living units (and source of funding to cover the refund due).

A CCRC’s statement of operations, also called an income statement or profit and loss statement (P & L), is a record of its net earnings or net losses for a given period. It shows all revenues earned and all expenses incurred to generate that revenue during the given period. The statement of operations is the basic measuring stick of profitability. A company with little or no income has little or no money to reinvest in the organization or to save for future use. If a company continues to record losses for a sustained period, it may not be able
to provide the level of services promised in the contract. In some cases, an organization may go bankrupt. In such a case, lenders could lose some or all of their investment. Residents may lose some of their refund, making the refund an unsecured liability. On the other hand, a company that realizes large profits will have more money to upgrade or expand.

The statement of operations can help evaluate the past performance of the organization, predict future performance, and assess the potential of achieving future cash flows. However, information in an income statement has limitations. Items that might be relevant but cannot be reliably measured are not reported (e.g., brand recognition, reputation, consumer loyalty). Some numbers depend on judgments and estimates (e.g., depreciation expense depends on estimated useful life and salvage value).

Most CCRCs conduct an annual audit that results in a set of audited financial statements. This set of documents summarizes the company’s financial performance for the prior fiscal year and typically includes all the financial statements discussed in the previous section. An audit is conducted by an external accounting firm and provides an independent third-party review of the financial statements. The objective of this review is to provide additional assurance that the statements accurately and fairly present the financial position of the company. Some items of interest within the audited financial statements include:

- The auditor’s opinion, which:
  - Defines the scope of the audit.
  - Provides an opinion of the procedures and records used to produce the statement.
  - Makes a judgment on whether the financial statements present an accurate picture of the organization’s financial condition.

- An organization’s cash on hand at a particular point in time (derived from the balance sheet), as well as its profitability over the course of a specific period (illustrated in the income statement).

- Cash flow items over the course of a certain period from three different types of activities:
  - Operating (revenues from the provision of services to community residents).
- Investing (income such as dividends and gains from the sale of stocks, bonds, or other investments).
- Financing (interest expense incurred as a result of loans, mortgages, or bonds used to fund development or expansion of the community).

The notes contained in the audited financial statements provide more detailed information about the organization, its significant accounting policies, and specific balances included in the financial statements.

In addition to the audited financial statements, the company may prepare an annual report, which can be useful in telling the story of what an organization does and may highlight its mission and strategic plans. The annual report typically includes some if not all of the financial statements and provides additional insight as to the past activities and future plans of the company that are not necessarily related to financial statements.

Financial Performance Indicators

One way to evaluate the financial performance of a CCRC is the use of certain financial ratios. Ratios are calculations based on information in financial statements. Although certain standardized ratios, such as excess margin, days cash on hand, and debt service coverage, can be a means to compare an organization against industry standards, the ratios will be affected by the CCRC’s specific situation (e.g., contract type, size, mix of levels of care, single or multi-site entity). A trusted financial advisor can help evaluate an organization’s financial ratios.

CARF CCRC Accreditation and Financial Management

CARF International offers CCRCs the opportunity to seek accreditation. The accreditation process requires CCRCs to follow a rigorous set of standards based on industry trends and to undergo a survey to determine conformance to those standards. The standards address the organization’s business practices and financial performance. CARF accreditation offers assurance that the CCRC has developed processes for financial planning and management and review of its financial performance on a regular basis. The standards also require the organization to evaluate its fee structure, profitability, cash
management, and investment strategies. CARF reviews the annual financial audit reports and evaluates margin/profitability ratios, liquidity ratios, and capital structure ratios for all accredited CCRCs. However, being accredited does not necessarily ensure financial health.

Financial Aspects to Consider

**Endowment funds**—Some CCRCs have endowment funds. These funds are generally the result of donations. Endowment funds may be used to help fund special projects, provide resident financial aid, or cover operating expenses. When evaluating a CCRC, determine if the organization has an endowment, the size of the endowment, how the funds are managed, and the allowable uses of the endowment.

**Donor development**—Because endowments depend on donations, many CCRCs have formalized development programs. The organization should have established giving opportunities, such as annual funds, gift annuities, charitable remainder trusts, and bequests. Find out how the organization identifies and retains donors.

**Financial aid**—Some CCRCs have resident assistance funds or scholarships that can be used to assist with entrance fees, subsidize monthly fees, or provide care for residents who may run out of money. Find out what the organization’s policy is for determining qualification for financial assistance. This information should also be in the care agreement.

**Risk management**—Most CCRCs have formalized risk management programs to reduce the organization’s exposure to risk and protect it from unanticipated financial losses. Health and safety programs, disaster preparedness, insurance, and adequate asset and liability management are all important parts of a risk management program.

**Investment strategy**—Because the large entry fees received from new residents are used in part to fund future expenses, it is important that the organization wisely invest the funds to ensure adequate funding is available in the future. Often, the board of directors, chief executive officer, chief financial officer, and financial advisors determine the investment strategy and amount of investment risk the organization is willing to undertake. Find out how investment decisions are made and how performance is monitored.

**Board involvement in planning**—A governing board should be future focused and concerned with the CCRC’s long-term success and financial stability. The governing board is also charged with ensuring
accountability of the CCRC financial management strategy. Find out how the board is informed of changes in financial performance and educated about the unique aspects of the CCRC model.

**Resident involvement in planning**—Most communities have a resident association, but these associations have varying involvement with the management and board. Some are social groups or communication channels, while others closely review planning and performance information and may appoint a representative to the governing board. Find out how the CCRC gathers input from the residents and how residents are able to influence decision making individually or collectively.

**Dependency on new entry fees**—Depending on the community’s size, composition of levels of care, contract types offered, and fee structure, CCRCs rely on receipt of new entry fees to varying degrees. For an organization that relies largely on new entrance fees for its financial solvency, it is very important to have a predictable number of new residents moving into the community each year. The percentage of residential units occupied and a waiting list for persons desiring to move into available units will affect the number of new residents.

**Recent or planned renovations**—Renovations and expansions are necessary for communities to remain competitive. The average age of the facility (or AGE ratio) is often a key factor influencing the ongoing marketability of a CCRC. However, costs for renovation and expansion must be funded through resident fees, donations, or the issuance of debt. Find out how the organization plans to pay for any recent or planned renovations and if this will affect the fee structure.

**Fee increases**—A CCRC is an intensive service business. Because of continual inflation and increases in employee salaries and supply expenses, the organization periodically must adjust its entrance fees and monthly fees. Some organizations may have formalized policies for how they determine the fee structure, review fee schedules to determine if modifications are necessary, and notify residents of any changes. Find out the frequency and amount of past rate increases.

**How information is shared**—Because of the long-term commitment between the resident and the CCRC, the resident has an interest in knowing how the organization is performing both operationally and financially. Find out how information is shared with residents through the resident association, printed reports, or open meetings.
Questions to Ask

When considering a move to a specific CCRC, make an appointment with someone from the organization who is informed about the CCRC’s financial practices. This may be someone from the marketing office or other resident services or management team member. If the person you speak to does not have the information to answer your questions, ask him or her to find that information and follow up with you later or direct you to the person who can answer your questions. You may want to consider taking a trusted advisor such as a financial planner, family member, or friend to meetings to take notes so that you can focus on asking questions and listening.

Ownership Information

1. Is the CCRC a stand-alone community, or is it part of a parent corporation with multiple CCRCs or other business operations?

2. Where are the other communities or businesses owned by the parent organization located, and where is the corporate office?

3. Does the organization have plans to build or acquire any additional communities or other business operations?

4. Is the organization owned by a for-profit or not-for-profit corporation? What is the name of the corporation?

5. Is there a governing board? If so, how are members of the board chosen? Does the board include a resident member? How is the board involved in the management of the CCRC?

6. Is the CCRC affiliated with a sponsoring organization? If so, what is the name of the organization, and what is the relationship between the sponsoring organization and the community?

7. Does the CCRC have an executive leadership succession plan?

8. How long has the CCRC been in operation? How did the CCRC grow to what it is today?

9. Does the CCRC use a third-party management company? If so, what is the name of the company?
Fees

1. Are there financial deposits for which I am responsible? If so, what is the refund policy if I decide not to move to the community?

2. What types of service contracts or agreements are available in this community (for example, contract types A, B, C, or rental)?

3. How much is the current entrance fee? Are there plans to increase the amount of this fee in the future?

4. Is there a structure for refund or rebate of entrance fees? If so, what is the time period in which the refund/rebate can be granted, and when and under what conditions will the refund/rebate be paid?

5. What services are included in the monthly fee?

6. What are the costs for additional services?

7. How does the organization determine how often and by how much fees will be increased?

8. Over the last five years, what has been the history of monthly fee increases? How frequently have fees been raised and by what percent each time? Why were the fees increased?

9. How will I be notified of changes in the fee structure?

10. If I require more services or move to a different level of care, how will that affect my monthly fee?

11. What happens if I encounter financial difficulty?

Financial Performance and Security

1. May I review the organization’s most recent audit or annual financial report? Are the statement of financial position, statement of operations, and statement of cash flow included in this report?

2. Does the organization have a positive net worth? If not, how does the organization believe its long-term financial health is affected?

3. In the last few years, have operating revenues exceeded expenses?

4. To what degree does the organization rely on non-operating income from donations, endowments, and investment income?

5. Do the organization’s financial ratios indicate that it has the necessary financial resources to ensure the ability to provide services now and in the future?
6. Does the organization have an endowment? If so, what is the size of the endowment, and how is it used and managed?

7. What does the organization do to identify new donors and provide new and existing donors with opportunities for planned giving?

8. Is there a resident assistance fund for residents who need financial aid to cover the costs of entrance fees, monthly fees, or additional service fees?

9. How can residents qualify for the resident assistance fund? What happens if the resident runs out of money?

10. How often does the organization complete strategic planning?

11. Does the organization have a formalized risk management program?

12. What type of insurance protection does the organization maintain? Is the community involved in litigation that could have a major impact on the organization?

13. What is the organization’s investment policy?

14. How are investment decisions made, and how is investment performance monitored?

15. How is the governing board involved in strategic and financial planning? How is the board kept informed of changes that impact the financial security of the CCRC?

16. Does the community have a resident association? If so, what is the association’s role?

17. How are residents given the opportunity to be involved in strategic and financial planning and decision making?

18. To what degree does the organization rely on new entrance fees to maintain financial security? How does the organization ensure that it receives the needed number of new entry fees?

19. Are there any recent or planned expansions or major renovations? If so, how will these projects be funded?

20. How is information about the organization’s financial and operational performance shared with residents?

21. Is there financial regulatory oversight for the organization?

22. Does the CCRC participate in Medicare and/or Medicaid programs?
Deciding to move to a CCRC and selecting the right one have serious lifestyle and financial ramifications and risks. The consumer is strongly advised to seek financial and legal expertise to review the consumer’s financial situation, the financial position of the CCRC(s) under consideration, and any contracts or written agreements.

Consumers with a background in finance may also find the publication *Financial Ratios & Trend Analysis of CARF-Accredited Continuing Care Retirement Communities* helpful. This resource is a one-of-a-kind reference that provides key financial ratio data used for benchmarking CCRCs. The analysis looks at data over a ten-year time span. Information about purchasing this annual publication can be found on the CARF online store at [www.carf.org/catalog](http://www.carf.org/catalog). Consumers might want to ask their financial advisor if he or she has a copy of this report.