Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking

William P. White
Commissioner

BEFORE THE INSURANCE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Re: Report on Examination – **Ingleside Presbyterian Retirement Community** as of December 31, 2010

ORDER

Pursuant to Examination Warrant 2011-2, an Examination of **Ingleside Presbyterian Retirement Community** as of December 31, 2010 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 26th day of January, 2012, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Facility shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

William P. White
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

DISB
Government of the District of Columbia
Department of Insurance, Securities and Banking

REPORT ON EXAMINATION

INGLESIDE PRESBYTERIAN RETIREMENT COMMUNITY, INC.
DBA INGLESIDE AT ROCK CREEK

AS OF

DECEMBER 31, 2010

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Washington, D.C.
January 13, 2012

Honorable William White
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
810 First Street, NE, Suite 701
Washington, D.C.20002

Dear Commissioner:

In accordance with Section 44-151.13 of the District of Columbia Official Code, we have examined the financial condition and activities of

Ingleside Presbyterian Retirement Community, Inc.
D/B/A Ingleside at Rock Creek

(hereinafter called the Facility) at its home office located at 3050 Military Road, N.W., Washington, DC 20015, and the following Report on Examination is submitted.

SCOPE OF EXAMINATION

This examination, covering the period from April 5, 2005 (the effective date of the adoption of the Continuing Care Retirement Communities Act)to December 31, 2010, including any material transactions and/or events noted occurring subsequent to December 31, 2010, was conducted by examiners of the District of Columbia Department of Insurance, Securities and Banking (the Department).

There were no prior examinations of the Facility.

Our examination was conducted in accordance with examination policies and standards established by the District of Columbia Department of Insurance, Securities and Banking and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

Our examination included a review of the business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities of the Facility. In addition, our examination included tests to provide reasonable assurance that the Facility was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Facility is audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the financial statements of the Facility for calendar years 2006 through 2010. We placed substantial reliance on the audited financial statements for calendar years 2006 through 2009, and consequently performed only minimal testing for that period. We concentrated our examination efforts on the year ended December 31, 2010. We reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2010, and directed our efforts to the extent practical to those areas not covered by the firm's audit.

HISTORY

General:

The Facility was formerly known as The Presbyterian Home of D.C. Chartered by members of the Presbyterian Church in the capital area in 1906. Ingleside at Rock Creek continues an historic affiliation with the Presbyterian churches of the region. However, it is independent of the church and maintains an active outreach to people of all faiths throughout the region. The Facility is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code.

Description of Facility and Services:

The campus includes 14 acres of land bounded by Military Road and the Rock Creek Park in northwest Washington, D.C. The Oliphant Center houses one bedroom and efficiency living accommodations for licensed assisted living services. The McCracken Building provides one and two room living accommodations for independent, assisted, and nursing home services. The Apartments are the newest section of the campus and provide one and two bedroom apartments in three separate wings. There is a campus community center with library, mailboxes, banking services, billiard room, art gallery, theater, arts and craft rooms. In addition there is an exercise and fitness center, a swimming pool, and restaurant style dining facilities. The facilities are available to all residents and their guests. Beginning in 2010, a complete reconstruction of the internal space of the McCracken Building was begun, including the creation of new independent living apartments.

Ingleside provides services for independent, assisted living, and skilled nursing care. Independent living residents are provided with the use of their Living Accommodations, all common facilities on campus, light housekeeping on a weekly basis, heavier housecleaning on an annual basis, one meal daily in the main dining room, emergency call service, scheduled transportation to social activities and shopping, water, sewer, trash, recycling, electricity, heating and air-conditioning, washer and drier, basic cable TV, complete maintenance of all common areas. These services are included in the monthly fee.

Affiliations:

The Facility is affiliated with Westminster at Lake Ridge in Virginia (WLR) and Ingleside at King Farm in Rockville Maryland (IKF). The Three facilities are governed by boards of directors. All board members are common to the three boards. Representative residents of each facility join the respective boards to provide local knowledge and advocacy. None of the facilities are responsible for the financial or contractual obligations of the others. Ingleside at Rock Creek is a charitable not-for-profit organization. None of the entities have contracts or other business interests in the other's operations. The affiliates share certain costs under a shared support services agreement.

Management:

The Bylaws of the Facility provide that the responsibility for the control and management of the affairs, property and interests of the Facility is vested in the Board of Directors composed of not less than Three (3) nor more than Eighteen (18) directors. There are three classes of Directors consisting of no more than six (6) directors in each class. One class of directors shall be elected annually by the board members. The term of the Director is three years with a maximum of two terms. The Bylaws provide that the officers of the Facility shall consist of a President, a Vice President, a Secretary-Treasurer, an Executive Director, a Chief Financial Officer and such other officers as, from time to time are deemed advisable. The Board of Directors shall elect the officers of the Facility at the regular annual meeting of the Board.

According to the Bylaws, at any meeting of the Board of Directors, the presence of a majority of the Directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business. The minutes of all meetings held during the period under statutory examination indicated that a quorum was obtained at all meetings of the Board of Directors during the period under examination.

Board of Directors:

Directors duly elected and serving at December 31, 2010 follows. Addresses were provided by the Facility.

Name and Address	Name and Address
Jane Angus, Washington, DC	Dale Clark, Lake Ridge, VA
Morgan O. Doolittle III**,** Ijamsville, MD	Roy Englert, Lake Ridge, VA
Robert Fri**,** Bethesda, MD	Hank Warner, Washington, DC
Karl Mattison Silver Spring, MD	Mike Kelly, Potomac, MD
Scott Leachman,(Chairman) Chevy Chase, MD	Jennie Leitch, Washington, DC

Bruce MacLaury, Washington, DC	Rev. Jack Mathison, Washington, DC
Jean Mertz, McLean, VA	Louise Pinckernell, Rockville, MD
Barbara Mathias Riegel, Washington, DC	Alvin Stenzel, Potomac, MD

The composition of the board of directors at December 31, 2010 was in compliance with By-Laws of the association.

Officers:

The By-laws provide that the officers of the Facility shall consist of a President, a Secretary/Treasurer, and other officers, including one or more Vice-Presidents. The officers shall be elected by the Board of Directors and shall serve until his/her successor is duly elected and qualified or the officer is removed.

The following were duly elected Officers serving at December 31, 2010:

Scott Leachman	Chairman
Bruce MacLaury	Vice Chairman
Lynn O'Connor	President & CEO
Jennie Leitch	Secretary
Karl Mattison	Treasurer
Ann Schiff	Executive Director
Yoram Tanay	Chief Financial Officer

Committees:

As of December 31, 2010 the board of directors had the following committees:

Executive	Scott Leachman (Chairman)
Finance	Mike Kelly (Chairman)
Governance/Nominating	Bruce MacLaury (Chairman)
Investment	Karl Mattison (Chairman)

Corporate Records:

We reviewed the minutes of the meetings of the stockholders and board of directors for the period under examination. Based on our review, it appeared that the minutes documented the Facility’s significant transactions and events, and that the directors approved those transactions and events.

ANNUAL DISCLOSURE STATEMENT

District of Columbia Code §44-151.05 requires "At least 30 days prior to the execution of a contract to provide continuing care, or 30 days prior to the transfer of any money or other property to a provider by or on behalf of a prospective resident, whichever occurs first, the provider shall deliver a current disclosure statement to the person with whom the contract is to be entered into." A review of the 2010 Disclosure Statement found that the Facility was not in Compliance with the Code. For further discussion, see the "Comments and Recommendations" section of this Report under the caption "Disclosure Statement."

CONTRACT FOR CONTINUING CARE; SPECIFICS (RESIDENT AGREEMENT)

The resident agreement was reviewed for compliance with District of Columbia Code §44-151.06 which requires the resident's agreement contain certain information and requires the distribution of a copy to the resident. The agreement was found to be in compliance with the Code. No recommendations are made.

OPERATING RESERVES

District of Columbia Code §44-151.08 requires that "All continuing care facilities shall maintain, after opening, operating reserves equal to 20% of the total operating costs projected for the 12-month period following the period covered by the most recent annual disclosure statement filed." The Code further stipulates that "The notes to the provider's annual audited financial statements shall state whether or not the reserve requirements have been met." The Facility was not in compliance with the Code as of December 31, 2010. For further discussion see the "Comments and Recommendations" section of this Report under the caption "Annual Operating Reserves."

ESCROW, COLLECTION OF DEPOSITS

District of Columbia Code §44-151.09 requires that "All continuing care facilities both prior to and after opening shall maintain escrow accounts for the total amount of any entrance fee, or any other fee or deposit that may be applied toward the entrance fee, in the following instances:

(1) The amounts received if an applicant for residence in a continuing care facility or their guardian provide a deposit with their application prior to the applicant taking up residence in the continuing care facility;
(2) If an applicant for residence in a continuing care facility or their guardian provide a deposit with their application prior to the construction or occupancy of the facility; and
(3) If a revocation order for the provider's license as a continuing care facility is under appeal."

A review was performed of the Facility's escrow and collection of deposit practices. No material exceptions were found and no recommendations have been added to this examination Report.

FIDELITY BOND AND OTHER INSURANCE

The Facility had fidelity bond coverage of $100,000 with a deductible of $5,000.

The Facility appears to have adequate insurance coverage for property, building and contents and liability with the minimum coverage as required by District of Columbia Official Code §44-111.01.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Facility provides retirement benefits to its employees through a defined contribution 401(k) plan. Under the plan, Rock Creek matches employee contributions up to 3% of the employee's compensation. The Plan provides for 100% vesting upon completion of three years participation.

The retirement expense for 2010 and 2009 was $81,498 and $84,214, respectively.

ACCOUNTS AND RECORDS

The Facility's general accounting records consisted of an automated general ledger and subsidiary ledgers designed for the Health Care Industry. Our review did not disclose any significant deficiencies in these records.

FINANCIAL STATEMENTS

The following financial statements reflect the financial condition of the Facility as of December 31, 2010, as determined by this examination:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Facility and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. These net assets include board-designated funds, if any.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed restrictions that will be met by either actions of the Facility and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets (deficit) as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Facility. Generally, the donors of these assets permit the Facility to use all or part of the income earned on any related investments for general or specific purposes.

The accompanying "Notes to Financial Statements" is an integral part of these financial statements.

BALANCE SHEET
December 31, 2010
ASSETS

	Amounts per Annual Statement	Examination Adjustments	Amounts per Examination
Cash and cash Equivalents (Note 2)	$ 1,338,814	$ (202,158)	$ 1,136,656
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	870,538		870,538
Prepaid Expense and other	167,040		167,040
Beneficial Interest in Perpetual Trusts-Current Portion(Note 3)	115,670	(69,048)	46,622
Due from King Farm	30,652		30,652
Due from Lake Ridge	47,822		47,822
Due from Westminster Ingleside Foundation	125,184		125,184
Total Current Assets	2,695,720		2,424,514
Investments (Note 5)	7,152,486	(6,200,000)	952,486
Assets Limited as to use (Note 2&5)	996,891	6,402,158	7,399,049
Property and Equipment-Net	43,387,688		43,387,688
Other Assets			
Beneficial Interests in Perpetual Trusts-Net of Current Portion	888,675		888,675
Interest in Charitable Remainder Trusts	496,419		496,419
Ground Rents and Cemetery Lots	17,633		17,633
Deferred Financing Costs (Net of Amortization)	237,177		237,177
Total Assets	$ 55,872,689	$ (69,048)	$ 55,803,641

Balance Sheet
Liabilities and Net Assets
December 31, 2010

Current Liabilities	Amounts per Annual Statement	Examination Adjustments	Amounts per Examination
Current Maturities of Long Term Debt (Note 4)	$ 778,582	$	$ 778,582
Accounts Payable	1,839,571		1,839,571
Accrued Expenses	309,750		309,750
Women's Board (Note 2)		202,158	202,158
Total Current Liabilities	2,927,903		3,130,061
Long Term Debt – Net of Current Maturities (Note 4)	23,054,451		23,054,451
Obligation to Provide Future Services (Note 1)	0		0
Refundable Fees for Moved Residents	2,796,364		2,796,364
Priority List Advance Fee Deposits	996,891		996,891
Deferred Revenue from Entrance Fees, Net	27,561,932		27,561,932
Total Liabilities	57,337,541	202,158	57,539,699
Net Assets (Deficit)			
Unrestricted	(3,624,490)		(3,624,490)
Obligation to Provide Future Services (Note 1)			0
Women's Board (Note 2)		(202,158)	(202,158)
Temporarily Restricted	1,199,233		1,199,233
Permanently Restricted (Note 3)	960,405	(69,048)	891,357
Total Net Assets(Deficit)	(1,464,852)	(271,206)	(1,736,058)
Total Liabilities and Net Assets	$ 55,872,689	(69,048)	$ 55,803,641

Ingleside Presbyterian Retirement Community
Report on Examination
December 31, 2010

STATEMENT OF INCOME For Year ended December 31, 2010	**Amounts per Annual Statement**	**Examination Adjustments**	**Amounts per Examination**
Revenues and Gains			
Residential and Health Care Services (including $3,255,386 Amortization of Advanced Fees)	$15,970,305	$	$15,970,305
Change in obligation to provide future services (Note 1)	0		0
Investment Income Net	2,477		2,477
Contributions	1,171,944		1,171,944
Total Revenues and Gains	17,081,726		17,081,726
Expenses			
Resident Services	487,123		487,123
Health Care Services	6,767,313		6,767,313
Food Services	2,776,614		2,776,614
Housekeeping Services	894,275		894,275
Security, Plant, and Maintenance	4,160,043		4,160,043
Administrative	4,752,104		4,752,104
Marketing	516,820		516,820
Fund-Raising	116,266		116,266
Total Expenses	20,470,558		20,470,558
Excess of expenses Over Revenues and Gains	$ (3,388,832)		$ (3,388,832)
Other Changes in Net Assets(Deficit)			
Net Rental Loss	(135,994)		(135,994)
Net Unrealized Gain(Loss) on investments	968		968
Decrease in Unrestricted Net Assets (Deficit) (Note 2)	(3,523,858)	(202,158)	(3,726,016)
Unrestricted Net Assets (Deficit) Beginning of year	(100,632)		(100,632)
Unrestricted Net Assets (Deficit) End of Year	$ (3,624,490)	(202,158)	$ (3,826,648)
Increase in Permanently Restricted Net Assets			
Unrealized Gain on Investments	81,478		81,478
Permanently Restricted Net Assets, Beginning of year (Note 3)	878,927	(69,048)	809,879
Permanently Restricted Net Assets, End of Year	$ 960,405	(69,048)	$ 891,357

NET ASSETS ACCOUNT

Unrestricted Net Assets as of December 31, 2005	$	12,393,601
Net income, 2006	$	(1,458,598)
Other change in Net Assets		790,532
Discontinued Operations-Subsidiary		1,883,903
Unallocated Difference		20,804
Change in Net Assets, 2006		1,236,641
Unrestricted Net Assets as of December 31, 2006		$ 13,630,242
Net income, (Loss) 2007		(2,029,811)
Other change in Net Assets		(296,421)
Change in Net Assets, 2007		(2,326,232)
Unrestricted Net Assets as of December 31, 2007		$ 11,304,010
Net income (Loss), 2008	$	(2,980,147)
Other change in Net Assets		(1,426,920)
Change in Net Assets 2008		(4,407,067)
Unrestricted Net Assets as of December 31, 2008		$ 6,896,943
Net income (Loss), 2009	$	(5,157,268)
Other change in Net Assets		(1,840,307)
Change in Net Assets, 2009		(6,997,575)
Unrestricted Assets as of December 31, 2009	$	(100,632)
Net income (Loss), 2010	$	(3,388,832)
Women's Board (Note 2)		(202,158)
Other change in Net Assets		(135,026)
Change in Net Assets, 2010		(3,726,016)
Unrestricted Net Assets (Deficit) as of December 31, 2010	$	(3,826,648)
Permanently restricted net assets as of December 31, 2009	$	878,927
Other changes in permanently restricted net assets		81,478
Pullen trust (Note 3)		(69,048)
Permanently restricted net assets as of December 31, 2010	$	891,357

ANALYSIS OF EXAMINATION CHANGES

Unrestricted net assets (Deficit) per Facility as of December 31, 2010		$(3,624,490)
Examination Adjustments		
Liability for women's board funds (Note 2)	(202,158)	
Total Examination Adjustments		(202,158)
Unrestricted net assets per Examination		(3,826,648)
Temporarily restricted assets (no adjustments)		1,199,233
Permanently restricted net assets per Facility as of December 31, 2010		960,405
Examination Adjustments		
Pullen Trust (Note 3)	(69,048)	
Total Examination Adjustments		(69,048)
Permanently restricted net assets per Examination		891,357
Net assets (Deficit) as regards examination, December 31, 2010		$ (1,736,058)

COMPARATIVE FINANCIAL POSITION OF THE FACILITY

The comparative financial position of the Facility for the five-year period ended December 31, 2010, is as follows:

	2010	2009	2008	2007	2006
Assets	$55,803,641	$59,454,619	$64,630,433	$68,674,691	$70,011,895
Liabilities	57,539,699	57,477,091	55,837,006	55,208,675	54,260,255
Unrestricted Net Assets	(3,826,648)	(100,632)	6,896,943	11,304,010	13,630,242
Total Revenues and Gains	17,081,726	15,629,107	16,426,696	17,261,907	16,975,318
Excess of Expense over revenue (loss)	(3,388,832)	(5,349,815)	(2,980,147)	(2,029,811)	(1,458,598)
Net unrealized investment /rental gain (loss)	(135,026)	(1,647,760)	(1,426,920)	(275,617)	790,532
Net income (loss)	(3,523,858)	(6,997,575)	(4,407,067)	(2,305,428)	(668,066)

Note: Amounts for the years ended December 31, 2006 through 2009 were taken from the Facility’s Annual Statements as filed with the Department. Amounts for the year ended December 31, 2010 are amounts per examination.

NOTES TO FINANCIAL STATEMENTS

Note 1. Obligation to Provide Future Services

A continuing care retirement facility expects to provide services and the use of facilities to individuals over their remaining lives under continuing-care contract agreements. If the advance fees and periodic fees charged are insufficient to meet the costs of providing future services and the use of facilities, the continuing care retirement facility should record a liability based on actuarial assumptions(such as mortality and morbidity rates), on estimates of future costs and revenues, and on the specific facility's historical experience and statistical data. The liability related to continuing-care contracts should be the present value of future net cash flows, minus the balance of unamortized deferred revenue, plus depreciation of facilities to be charged related to the contract, plus unamortized costs of acquiring the related initial continuing-care contracts, if applicable. The Facility provided the actuarial calculation as of September 30, 2010, which supports the conclusion that no liability needed to be reported per AICPA requirements and therefore no examination adjustments are necessary.

The Facility obtained a detailed actuarial analysis that concluded that there was an $8,200,000 funding shortfall for current residents at December 31, 2010. A subsequent report based on the original report with refined data placed the actuarial deficit pertaining to current residents at $4,600,000. The AICPA does not require recognizing this actuarial shortfall.

Note 2. Ingleside Women's Board

According to the Ingleside Women's Board annual report for 2010, its mission is to enhance residents' lives through advocacy, socialization and improvement of their environment. The Facility is the custodian of the Women's Board funds. However, due to the restrictions on the use of the funds, the Facility should record a corresponding liability or contra-asset as a charge against net assets. An examination adjustment has been made to recognize a liability for those funds of $202,158.

Note 3. Pullen Trust

The Facility is the beneficiary of various trusts held by third parties that provide for the distribution of income to the Facility. The Facility records these trusts under the criteria established by the American Institute of Certified Public Accountants. The accounting requirement is for not-for-profit beneficiaries of such a trust to record, as a contribution and as an asset, the present value of the estimated future cash receipts to be received from the trust over the life of the trust. Changes in a trust's fair market value are to be recorded as permanently restricted gains or losses in the statements of operations and changes in net assets (deficit). The Facility could not provide adequate support for the market value of the F. Carlson & D.W. Pullen Trust in the amount reflected in the financial statements. Accordingly, the value of the trust has been non-admitted for purposes of this examination in the amount of $69,048.

Note 4. Bond Debt

The District of Columbia issued $30,500,000 of "District of Columbia Revenue Bonds (the Presbyterian Home Issue), Series 1998" and entered into an indenture of trust agreement

dated August 1, 1998, with the Bank of New York (the Trustee) to serve as trustee of the bonds. The entire proceeds of the bonds were loaned to the Facility. The most recent amendments to the covenants of the bond dated August 3, 2010 state that the Facility must meet a debt coverage ratio no less than 1.1 to 1; meet a leverage ratio as defined in the agreement; maintain a restricted investment account of a least $6,900,000.
Failure for an entity to meet financial covenants of a debt agreement provides the lender with the contractual right to accelerate the due date. At December 31, 2010, the Facility is not in compliance with the debt service coverage ratio covenant. The Facility is currently working on obtaining a waiver from the Trustee for the violated covenant. Thus no reclassifications are proposed for the purposes of this examination.

Note 5. Construction Escrow

The revenue bond referenced in Note 4 of this Examination Report stipulates that funds be kept in escrow for the continued construction of the McCracken House building project on the campus of the Facility. The current amendment to the bond debt agreement stipulates an escrow account of $6.9 million be maintained to be used for the construction. These funds are not available for the operational expenses of the Facility and accordingly, have been reclassified for purposes of this examination from Investments to Assets Limited as to Use.

COMMENTS AND RECOMMENDATIONS

Non- Compliance with the Bond Covenant:
As stated in the Notes section of this Report, failure to meet the covenants constitutes a default on the terms of the financing agreement. Failure to meet covenants could allow the lender to accelerate principal payment requirements. At December 31, 2010, the Facility is not in compliance with the debt service coverage ratio covenant.

It is recommended that the Facility obtain the appropriate waivers from the bond holders when the Bond Covenants are not met. At the time of this Examination, the Facility was in the process of attempting to obtain the appropriate waivers.

Annual Operating Reserve:
Pursuant to District of Columbia Code Section §44-151.08(a), continuing care facilities must maintain operating reserves of a minimum of 20% of projected operating costs less depreciation and amortization plus debt service. Additionally, District of Columbia Code Section 44-141.08(d) requires that the facility's audited financial statements shall state whether or not the reserve requirement has been met. The Facility's audited financial statements do not contain the required Operating Reserve disclosure for audit years prior to 2010. Also, the Operating Reserve as disclosed in the 2010 audited financial statement was not calculated correctly. Had the calculation been performed correctly, the audited financial statements would have disclosed a deficiency for the Operating Reserve.

The Facility must comply with the aforementioned statutory requirements for the proper maintenance and disclosure of the Operating Reserve.

Intercompany Agreements

The Facility reported intercompany accounts on the Balance Sheet of its financial statements, supported by an "Agreement Regarding Central and Shared Support Services" dated November 16, 2010. Prior to that date, there had been no formal agreement. The agreement was temporary, in that it noted the affiliates were at the time preparing to undertake a restructuring involving the creation of a new organization. The agreement was more of a memorandum of understanding than an "arm's length" agreement. It included no information on which affiliate(s) would be responsible for providing the supporting services, no details of allocation methodology, and no terms related to the agreement effective period, the reporting requirements, the settlement of intercompany balances, or dispute resolution..

As a better business practice the Facility should maintain written cost sharing agreements providing sufficient details such as described above, to prevent misunderstandings among the related entities. As of December 2011 the Facility contracted with a newly formed service corporation, which has also become the parent. A new cost sharing agreement should be drafted and submitted to the Department for review. See subsequent events.

Disclosure Statements:

The Facility is not in compliance with District of Columbia Official Code §44-151.07(a). The Facility has not submitted a disclosure statement in a timely manner to the Department of Insurance, Securities and Banking for 2010. It was noted that none of the previous disclosure statements were complete. Each was missing the required five year projections and comparison to actual results as required by Regulations in District of Columbia Official Code §44-151.07(a)(2).

It is recommended that the Facility comply with District of Columbia Official Code and complete the Disclosure Statement with required attachments in a timely and accurate manner.

Women's Board Bank Accounts

As stated in the Notes section of this report, the Facility is the custodian of the Women's Board funds but the Women's Board is a separate entity from the Facility. The funds are in separate accounts used for the projects that the Women's Board approve and fund.

It is recommended that the Facility establish and record a liability for the Women's Board funds. In addition, the liability if any should be adjusted each year for the current balance.

Pullen Trust

As stated in the Notes section of this Report, there is no documentation for the Pullen trust balance of $69,048 reported in current assets section of the Facility's financial statements.

The facility should maintain sufficient evidential documents to support the recording of assets and other transactions.

Additional Comments and Recommendations

During our examination, in addition to the above Comments and Recommendations, we made other suggestions and recommendations to the Facility with regard to record keeping and other procedures relating to its operations. These additional suggestions and recommendations were not deemed significant for purposes of our Report on Examination, and are not included in our Report on Examination.

CONCLUSION

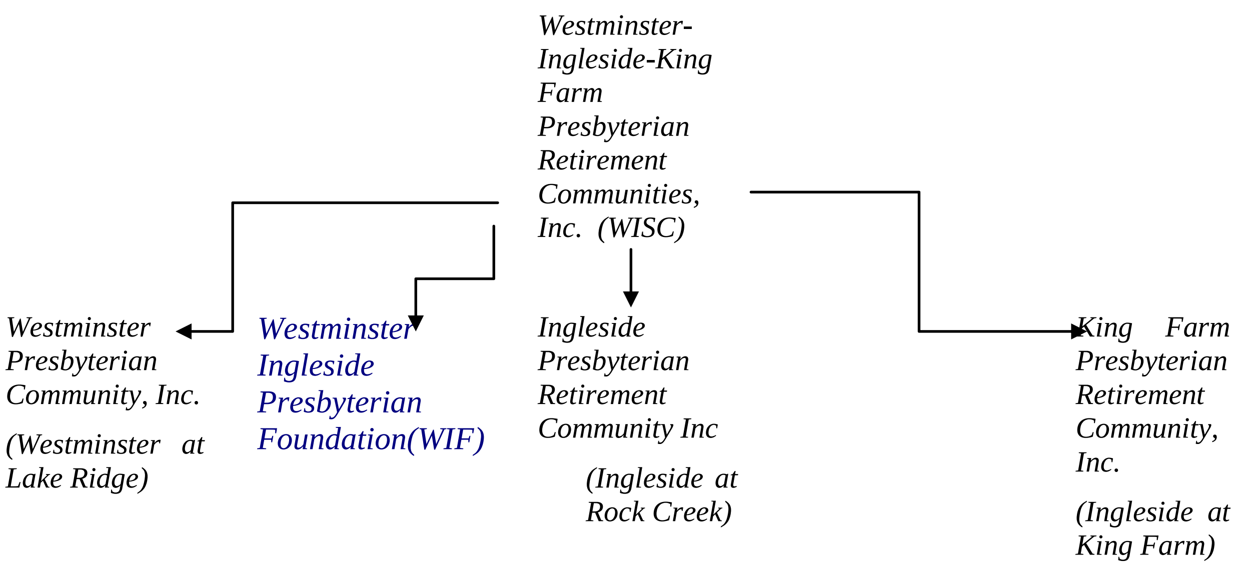
Our examination disclosed that as of December 31, 2010, the Facility had:

Total assets	$ 55,803,641
Liabilities	$ 57,539,699
Unrestricted assets (Deficit)	(3,895,696)
Temporarily restricted	1,199,233
Permanently restricted	960,405
Total liabilities and Net Assets	$ 55,803,641

Based on our examination, the accompanying balance sheet properly presents the statutory financial position of the Facility as of December 31, 2010, and the accompanying statement of income properly presents the statutory results of operations for the period then ended.

SUBSEQUENT EVENTS

In 2011, the Board of Directors of the Facility agreed to a corporate restructuring under which a newly created entity will become the sole corporate member of the Facility and of two other facilities, King Farm Presbyterian Retirement Community, Inc, in Maryland and Westminster Presbyterian Retirement Community, Incorporated, in Virginia, that have common origins and mission and overlapping board membership but are all legally separate entities. The new entity, Westminster-Ingleside-King Farm Presbyterian Retirement Communities, Inc. (WISC), is a Virginia non stock corporation that under the restructuring will provide management and other services and have certain control over the governance and operation of the Facility. The corporate restructuring will not be consummated until the tax exempt status of WISC is confirmed by the Internal Revenue Service. Furthermore, even after the restructuring, the Facility will remain a legally separate entity solely responsible for its own debt and contractual obligations to residents.



The Facility is also making an accounting change in the Amortization of Entrance Fees. Based on the change in 2011 there will be a Capitalization of $4.9 million and an increase in the Net Asset deficit of $4.9 million. This would result in increasing the Deficit to Approximately $8.8 million.

SIGNATURES

In addition to the undersigned, Chidinma Ukairo of the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination:

Respectfully submitted,

Frank J Ryan JR. CPA, AFE
Examiner-In-Charge

Nathaniel Kevin Brown. CPA, CFE
Chief Examiner

District of Columbia Department of
Insurance, Securities and Banking

INGLESIDE
at Rock Creek

February 3, 2012

Mr. Nathaniel Kevin Brown, CFE, CPA
Chief Financial Examiner
Dept. of Insurance, Securities and Banking
810 First Street, NE
Suite # 701
Washington, DC 20002

Dear Mr. Brown:

I am writing to you in the absence of Ms. O'Connor (on a well deserved vacation) in response to your letter of January 26, 2012 to which were attached your Report on the Examination, a Management Letter and an Order.

Attached to this letter is our response to the section of Comments and Recommendations in the Report on Examination. We hereby wave our right of confidentiality to that response and request that you consider including our response together with the report when the report is made public.

In our conversation earlier today, we explained that the next full board meeting of Ingleside at Rock Creek will take place on March 7, 2012 and that will be a good opportunity for us to discuss both the report and the management letter with the full board and obtain the board members affidavits. We thank you for your agreement to extend the 30 days requirement for the affidavits. We will send them to you the day following the board meeting. We also thank you for your offer to send me a form of the affidavit that has been used by other entities audited by you. As you know, we are trying to be as frugal as we can and your help is appreciated.

We again thank you and your auditors for their comments and believe that they will help us in our quest to improve the finances and operations of the facility.

Please contact me at 202-596-3131 or at ytany@ircdc.org if you have any questions on the above or our response.

Sincerely

Yoram Tanay
CFO

Ingleside Presbyterian Retirement Community
Report on Examination
By the Department of Insurance, Securities and Banking
December 31, 2010

MANAGEMENT RESPONSE TO COMMENTS AND RECOMMENDATIONS

Non-Compliance with the Bond Covenant

Management has and is working closely with its bond holder on a program that will allow the facility to return to a debt service coverage ratio covenant. The plans are progressing and currently management is projecting compliance in 2012. The bond holder, through its legal department is working on a waiver for both the 2010 and 2011 years.

Annual Operating Reserves

Management agrees that the operating reserves in 2010 did not meet the requirement of the District of Columbia Code. In an effort to improve the financial strength of the facility, management and the bond holder, with the explicit agreement of the Government of the District of Columbia, have taken a large portion of its operating reserve and allocated them specifically to a project to renovate an old wing into fifteen Independent Living apartments. That project is expected to be completed in March 2012. Of the 15 units, 12 are pre-sold (with a 10% deposit) as at this writing. Once the residents move in and pay the balance of their entrance fees, the operating reserves will in fact increase, as well as the monthly income of the facility.

While management takes seriously this requirement, we expect to be in full compliance with the operating reserves requirement in 2012.

Inter-company Agreements

As detailed in the section headed "subsequent events," the move to a new service organization that will also be a parent has not yet been consummated and is awaiting an IRS ruling of the not-for-profit status of the new service organization. Once that happens, we intend to develop an inter-company agreement that will take into account the advice of our attorneys, auditors and DISB.

Disclosure Statements

Management agrees that in past years the disclosure statements were not complete as they did not include a five years projection prescribed by the DC Code. In addition, they were not always timely.

Since the current management group has been in place, management has worked diligently with a major consulting and accounting firm to develop a credible methodology for calculating a five years projection. This has now been completed and in future the following five attachments will always accompany the disclosure statement and be a part of it:

1. Audited Financial Statements

2. Current internally produced financial statement (provided the audit of over 120 days old)
3. Five years projection
4. Form of contract
5. Price list

Women's Board Bank Account
Management agrees this recommendation and in fact has independently made the decision to incorporate the recommended treatment into its books of account in 2011.

Pullen Trust
Management agrees that recommendation and has already corrected this clerical error from 2006.

Yoram Tanay
CFO

Ann Schiff
Executive Director

Brian Amtmann
Controller

February 3, 2012