

59A-4.203 Financial Requirements.

(1) To be eligible for a Gold Seal designation, a facility must have been in operation for a minimum of 30 months prior to the date of application and must provide evidence of financial soundness and stability. This subsection provides the criteria for use of financial statements. To demonstrate 30 months of financial soundness and stability prior to the date of the application:

(a) The licensee of the facility shall submit financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) for the three consecutive fiscal years immediately preceding the date of application, including: a balance sheet, income statement and statement of cash flows and all relevant notes. The licensee concurrently shall submit a report from a certified public accountant (CPA) who has audited or reviewed these financial statements. A report of audited financial statements must specify an unqualified opinion. A report on reviewed financial statements must be a standard report and must not contain any departure from GAAP. Financial statements that have been reviewed by a CPA may not be substituted for audited financial statements when the audit was conducted for the same financial accounting period. Each licensee shall also submit a one-year set of pro-forma financial statements, including balance sheet, income statement and statement of cash flows. For a licensee whose audited or reviewed financial statements are prepared as part of a consolidated entity, the licensee can satisfy the requirements for submitting financial statements by submitting the three most recent consecutive years of CPA audited or reviewed consolidated financial statements if the statements break out the balance sheet, income statement and statement of cash flows of the individual licensee or submit accreditation documents in accordance with Section 400.235(5)(b) Florida Statutes. In the event a continuing care retirement center has its designation as a CCRC revoked by the Department of Financial Services, the CCRC is required to submit financial statements as described in this rule.

(b) Each licensee must meet at least two of the three following financial soundness and stability thresholds listed below for at least two of three years of the statements, to include the most recent year submitted and the pro-forma statements. Otherwise, its facilities cannot be recommended for the Gold Seal Award except as described in subsection (2) below.

1. A positive current ratio of at least one (1). The current ratio is determined by dividing current liabilities into current assets. Current assets are those held for conversion within a year or less, such as cash, temporary investments, receivables, inventory, and prepaid expenses. Board designated assets of cash or near cash instruments, where the board of directors has the option to change the authorized use of the assets and the assets are otherwise unencumbered as disclosed by the auditor, can be considered current assets for this calculation. Current liabilities are short-term debts and unearned revenues to be paid out of current assets within a year or less.

2. A positive tangible net worth as determined by the balance sheet. This shall be determined as equity (total assets less total liabilities) net of intangible assets. An intangible asset is a capital asset having no physical existence, its value being dependent on the rights that possession confers upon the owner. Examples include goodwill and trademarks.

3. A times interest earned ratio of at least 1.15 or 115 percent. This shall be determined by dividing interest expense into net income before deducting such interest and income tax. Net income is defined as revenues (receipts or earnings) less expenses (costs). Not-for-profit providers may include non-operating income, such as public or governmental support and foundation transfers in determining net income.

(2) If the licensee can meet only one of the three financial ratios in paragraph (1)(b) above for one of the two required years, the licensee may be recommended for a Gold Seal Award only if the most recent CPA prepared financial statements provided are for a period ending within six months of the date of the application and these financial statements meet all three of the financial criteria set forth in paragraph (1)(b) above.

(3) Neither the licensee nor its parent company shall have been the subject of bankruptcy proceedings during the period beginning 30 months prior to the date of the application and ending on the date of the award of the Gold Seal.

Specific Authority 400.235 FS. Law Implemented 400.235(9) FS. History-New 8-21-01, Amended 5-19-02, 3-21-04.