

UNDERSTANDING THE BOARD OF DIRECTORS

A SYNOPSIS

Presented by

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UNDERSTANDING THE BOARD OF DIRECTORS

CHARLESTOWN MISSION

**To Share Our Gifts
and
Create a Community
that
Celebrates Life**

UNDERSTANDING THE BOARD OF DIRECTORS

Board of Directors

*The Governing Body Responsible for Control
and Direction of a Corporation*

UNDERSTANDING THE BOARD OF DIRECTORS

CORPORATION

- ▶ Legal Entity :

Exists under authority granted by state law

UNDERSTANDING THE BOARD OF DIRECTORS

CORPORATION

- ▶ Legal Entity
- ▶ Corporate Personhood :
 - Some legal rights and responsibilities same as natural persons -
 - Enter into contracts*
 - Loan and borrow money*
 - Own assets*
 - Hire and fire employees*

UNDERSTANDING THE BOARD OF DIRECTORS

CORPORATION

- ▶ Legal Entity
- ▶ Corporate Personhood
- ▶ Purpose :

Financial Benefit – stock/for profit/stockholder

Society Benefit – non-stock/nonprofit/stakeholder

UNDERSTANDING THE BOARD OF DIRECTORS

Corporation

- “Being a mere creature of law, it possesses only those properties which the charter of creation confers upon it ---”

UNDERSTANDING THE BOARD OF DIRECTORS

A SYNOPSIS

Presented in two parts –

Charlestown as a Corporation (CCI)

CCI Board of Directors

UNDERSTANDING THE BOARD OF DIRECTORS

CHARLESTOWN MISSION

*To Share Our Gifts and Create a
Community that Celebrates Life*

UNDERSTANDING THE BOARD OF DIRECTORS

ARTICLES OF INCORPORATION

➤ **Charlestown Community, Inc.**

Nonstock Corporation

Purposes –

Educational, Scientific and Charitable

CHARLESTOWN AS A CORPORATION

- ▶ **Charlestown Community, Inc. (CCI)**
 - ▶ Maryland Non-Stock Corporation
 - ▶ 501(c)3 tax exempt status
 - ▶ Excess revenue must be reinvested
- ▶ **Wholly-Owned Subsidiaries**
 - ▶ Charlestown Benevolent Care Foundation
 - ▶ Charlestown Community Real Estate
- ▶ **Corporate Governance & Structure**
 - ▶ CCI Board of Directors

CHARLESTOWN AS A CORPORATION

Charlestown Community Incorporated (CCI)

1. Organized in 1983 to operate CCI as a **nonprofit** CCRC
2. 1998 purchased facility from Erickson Retirement Communities
3. Title to land and buildings transferred to MHHEFA as security for Series 2016 Bonds
4. MHHEFA leases facility to CCI
5. CCI responsible for operations, repairs and maintenance

CHARLESTOWN COMMUNITY, INC.

A nonprofit *Corporation* formed to *operate* a
Continuing Care Retirement *Community*
(*CCRC*)



WHAT IS A CCRC?

IN GENERAL, CONTINUING CARE EXISTS WHEN –

- ▶ “The Consumer pays an entrance fee that is, at a minimum three times the average monthly fee;
- ▶ The provider furnishes or makes available shelter and health-related services to persons 60 years of age or older; and
- ▶ The shelter and services are offered under a contract that lasts for a period of more than one year, usually for life”

Maryland Department of Aging ⁽¹⁾

(1) Regulates Continuing Care Retirement Communities in
Maryland

WHAT IS A CCRC? (CONTINUED)

▶ **CCRC REGULATION -**

- ▶ Maryland Code of Maryland Regulations, Title 32, 32.02.01
- ▶ Certificate of Registration
- ▶ Mandatory Documents
 - ▶ Residence and Care Agreement
 - ▶ Disclosure Statement
 - ▶ Financial Statement
- ▶ Annual Meeting
- ▶ Internal Grievance Procedure
- ▶ Resident member of Governing Board

CHARLESTOWN COMMUNITY INC.

CCI as a CCRC is –

- Continuing Care Facility
- Community
- Enterprise
- Nonprofit, non-stock Corporation

CCI AS A CCRC

➤ CONTINUING CARE FACILITY



CCRC - CONTINUING CARE

▶ Continuum of Care

LIVING ACCOMODATIONS

(Resident Specific)

Independent Living Units

Continuing Care

Assisted Living

Skilled Nursing

SERVICES & AMENITIES

(Resident Specific)

Fee-for-service

(Included in monthly bill)

CCI AS A CCRC

➤ COMMUNITY –

A group of people with shared interests within a population



CCRC AS A COMMUNITY

▶ **COMMUNITY INITIATIVES**

- ▶ Dining venues
- ▶ Resident groups/activities
- ▶ Treasure Sale
- ▶ Sunburst & Channel 972
- ▶ Concerts & movies
- ▶ Residents' Association/Residents' Council
- ▶ And many more

Creates a sense of belonging

CCI AS A CCRC

► ENTERPRISE -

“An activity that involves many people and that is often difficult”

Merriam - Webster

CCI AS AN ENTERPRISE

▶ Essential Resources



CCI AS AN ENTERPRISE

- ▶ Charlestown Manager
 - ▶ Not a job for amateurs
 - ▶ Operates under Board of Directors oversight
 - ▶ Erickson Living Management, LLC
 - ▶ Management and Marketing Agreement
 - ▶ Executive and Functional Directors
 - ▶ Staff Support

CCI AS A CORPORATION

- ▶ **CORPORATE STRUCTURE –**
- ▶ **Tax-Exempt, Nonprofit**
- ▶ Fulfil a Charitable Mission
- ▶ IRS Grants Tax-Exempt Status
- ▶ Governed by Volunteer Board

CCI AS A CORPORATION

- ▶ **COPORATE STRUCTURE –**
- ▶ **Non-Stock Corporation**
- ▶ Most Nonprofit are Non-Stock
- ▶ No Shareholders
- ▶ Surplus Earnings Must be Reinvested

CCI AS A CORPORATION

- ▶ **CORPORATE PERSONHOOD –**
- ▶ **Corporation has Same Legal Rights and Responsibilities as Natural Person**
- ▶ Enter into Contracts
- ▶ Loan and Borrow Money
- ▶ Sue and be Sued
- ▶ Hire Employees

CCI AS A CORPORATION

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UNDERSTANDING THE BOARD OF DIRECTORS

A SYNOPSIS

Presented in two parts –

Charlestown as a Corporation (CCI)

CCI Board of Directors

UNDERSTANDING THE BOARD OF DIRECTORS

THE BOARD MISSION

To Ensure the Long Term Financial Health and
Well Being of the Community

UNDERSTANDING THE BOARD OF DIRECTORS

Board of Directors -

- The Governing Body Responsible for Control and Direction of a Corporation
- Policies, Duties and Responsibilities from Government Regulations, Articles of Incorporation and Bylaws

UNDERSTANDING THE BOARD OF DIRECTORS

- **Corporate Governance –**
- A Program of Policies, Mechanisms and Relations by which Corporations are Controlled and Operated

UNDERSTANDING THE BOARD OF DIRECTORS

- ▶ **Corporate Fiduciary –**
- ▶ Act in Another Party's Interests
- ▶ Duty of Care
- ▶ Duty of Loyalty
- ▶ Duty of Confidentiality

BOARD COMPOSITION

Directors – 15 Authorized Positions

Current - 15 Positions Filled

(2 Resident Directors)

(2 Honorary Directors –
1 is a Resident)

Note - **Not** Compensated

Selects its members

BOARD RESPONSIBILITIES

- Governance and Oversight
- Strategic Planning
- Operating and Capital Budget
- Management Firm
- Risk Management
- Regulatory Requirements

CHARLESTOWN BOARD OF DIRECTORS

- ▶ **Richard A Grove, Jr (Chair)**
- ▶ Rev. David Cooney (Vice Chair)
- ▶ Richard M. Barnes
- ▶ Charles H. Brown III
- ▶ Charles Denton (DLC)
- ▶ Charles A. Gamble
- ▶ Laura Ellison
- ▶ Fr. John Kemper
- ▶ Joanne Martin
- ▶ James Mauser
- ▶ Naomi McAfee (DLC)
- ▶ Laura Ostroff
- ▶ Bonnie Phipps
- ▶ Joanne Pollak
- ▶ Michael Stafford
- ▶ Karline Tierney (HON)
- ▶ Stanley Elwell (HON)

CHARLESTOWN BOARD OF DIRECTORS

PROFESSIONAL BACKGROUND

| | |
|--------------------------|----------|
| Business | 2 |
| Clergy | 2 |
| CPA | 4 |
| Engineering | 2 |
| Finance/Investing | 1 |
| IT/Cyber Security | 1 |
| Insurance | 1 |
| Law | 2 |

BOARD COMMITTEES

- ▶ Audit
- ▶ Benevolent Care Foundation
- ▶ Executive
- ▶ Finance and Budget
- ▶ Governance
- ▶ Treasury and Investment
- ▶ Resident Life
- ▶ Strategic Planning and Capital Oversight

AUDIT COMMITTEE

- ▶ Oversees the financial reporting process on behalf of the BOD
- ▶ Assures the integrity of financial statements
- ▶ Oversees PWC qualifications in independence and audit

- ▶ **MEMBERS**

Charles H. Brown, III, CPA, Chair

Richard A. Grove, Jr., CPA

Laura Ellison

Bonnie Phipps

BENEVOLENT CARE FOUNDATION

- ▶ To attain an endowment of \$10,000,000 to support the Benevolent Care Fund
- ▶ To assure that no resident ever be asked to leave Charlestown for financial reasons

▶ MEMBERS

Naomi McAfee, Chair

Father John Kemper

Laura Ostroff

Karline Tierney, (HON)

Jean Eichenlaub, Resident Council Rep.

David Douds, Resident

Steve Harders, Resident

Clara Parker (ex officio)

Pamela Steiner (ex officio)

Patricia Santoni (ex officio)

EXECUTIVE COMMITTEE

- To exercise the powers of the BOD on an “as-needed” basis at the direction of the Chairman of the BOD or the Board itself

- **MEMBERS**

Richard A. Grove, Jr., Chair

Charles H. Brown III

Charles A. Gamble

Joanne Pollak

FINANCE AND BUDGET COMMITTEE

- ▶ Reviews the annual budget, approves, then recommends BOD approval
- Conducts a comprehensive quarterly review of the operating results compared to budget and submits a summary to the BOD for approval

➤ MEMBERS

Richard A. Grove, Jr., Chair

Naomi McAfee

Richard M. Barnes

Michael Stafford

Laura Ellison

Clara Parker (*ex officio*)

GOVERNANCE COMMITTEE

- ▶ Responsible for the BOD effectiveness and continuing development
- ▶ Assures compliance with best governance practices
- ▶ Recruits and interviews prospective BOD members
- ▶ Oversee compensation and employee benefit policies and management compensation programs

▶ MEMBERS

Richard M. Barnes, Chair
Fr. John Kemper

James Mauser
Laura Ostroff

TREASURY & INVESTMENT COMMITTEE

- ▶ Oversight of the portfolio assets management
- ▶ Sets investment policies and guidelines, determines and approves asset allocations, performance objectives and risk tolerance
- ▶ Approves the selection and retention of investment advisors

▶ MEMBERS

Charles Gamble, Chair
Charles H. Brown III

Bonnie Phipps
Michael Stafford

RESIDENT LIFE COMMITTEE

- ▶ Promotes the Mission of Charlestown by assuring excellence in the services and opportunities offered to and by residents

- ▶ **MEMBERS**

Naomi J. McAfee, Chair

Rev. David Cooney

Charles Denton

Fr. John Kemper

Joanne Martin

Karline Tierney (HON)

Sherry Parrish (*ex officio*)

STRATEGIC PLANNING AND CAPITAL OVERSIGHT COMMITTEE

- ▶ Prioritize and fund capital projects necessary for keeping the infrastructure up-to-date, safe, attractive and functioning
- Develop a long term plan to keep Charlestown viable and competitive

➤ MEMBERS

Rev. David Cooney, Chair

Charles Denton

Fr. John Kemper

Joanne Martin

Naomi McAfee

Bonnie Phipps

Joanne Pollak

Karline Tierney (HON)

Clara Parker (*ex officio*)

MHHEFA* REQUIREMENTS

➤ Required Reserves

25% of all deposits

➤ Debt Service Ratio**

Actual ----- 2.92

Required -- 1.20

Excess ---- 1.72

Days cash on hand

Actual ----- 497

Required - 180

Excess ---- 317

*Maryland and Higher Educational Facilities Authorities

**Debt service as of July 30, 2019

FITCH FINANCIAL ASSESSMENT

FITCH AFFIRMS CHARLESTOWN RETIREMENT COMMUNITY (MD) REVS AT “A”; (Investment Grade)

- Fitch Ratings has affirmed the “A” rating on the following MHHEFA bonds, issued on behalf of -

Charlestown Community, Inc.

\$123,650,000 revenue bonds, Series 2016

The rating outlook is stable

- Security – The bonds are supported by a pledge of revenues, mortgages and service reserve



REQUIRED BOARD MEETINGS

- ▶ **Quarterly** - among Board members

March

September

June

November

- ▶ **Quarterly** – Residents Council

Campus issues

- ▶ **Annually** – Residents Association

-- Resident Fees

BOARD MEMBER REQUIREMENTS

- ▶ Annual Conflict of Interest Filing
- ▶ Responsibility for Compliance and Ethics
- ▶ Privacy and Security of Personnel Information
- ▶ Duty of Care
- ▶ Duty of Loyalty
- ▶ Duty of Confidentiality

REPORTING REQUIREMENTS

- ▶ Annual report to the residents
- ▶ Tax filing
- ▶ Disclosure Statement

UNDERSTANDING THE BOARD OF DIRECTORS

TAKEAWAY

Understanding the Board of Directors

➤ *Functions and Duties*

➤ *Structure and Practices*



CHARLESTOWN “READ BOOK”

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UNDERSTANDING THE BOARD OF DIRECTORS

?? QUESTIONS ??