



A National Lutheran Community

DISCLOSURE STATEMENT-EXHIBIT K

**THE VILLAGE AT ROCKVILLE, INC. (TVAR)
04/25/2022**

THE ISSUANCE OF A CERTIFICATE OF REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF THE FACILITY BY THE MARYLAND DEPARTMENT OF AGING, NOR IS IT EVIDENCE OF, OR DOES IT ATTEST TO, THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THE DISCLOSURE STATEMENT.

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The Village at Rockville, Inc. (TVAR) is a serving agency affiliated with National Lutheran Inc. dba National Lutheran Communities and Services (NLCS), which is affiliated with the Metropolitan Washington DC, Virginia and Delaware-Maryland Synods of the Evangelical Lutheran Church in America (ELCA). TVAR shall be fully responsible for its fiscal affairs including any liabilities and debts it may incur. NLCS's affiliation with the ELCA shall not obligate the ELCA to assume any liabilities and debts incurred by TVAR.

TVAR owns all of the buildings that make up the facility and the land on which they are located. All services and facilities of TVAR are available to every resident equally without regard to race, color, national origin, or the plan under which admitted. TVAR was incorporated in the District of Columbia on Dec. 13, 1890, and reincorporated on Jan. 15, 1903. TVAR is a not-for-profit, federally tax-exempt organization, as defined in section 501(c)(3) of the Internal Revenue Code. The campus consists of a 160 bed skilled nursing facility (SNF), a 50 unit/57 resident capacity assisted living facility (AL), and the 241-unit independent living community. Construction of Glenmere was completed in December 2020, adding 130 independent living apartments.

The Executive Director of TVAR is Kyle Hreben.

INDEPENDENT LIVING ENTRANCE FEES:

Please read the Residence and Services Agreement carefully for the conditions that must be satisfied before TVAR is required to pay the entrance fee refund, if applicable.

The 2022 IL entrance fee, the fee governing the right to occupy the unit, ranges from \$250,292 to \$650,876 for cottage homes and ranges from \$311,796 to \$1,089,336 for apartment homes. Pricing varies based on home style, size and entrance fee refund option selected and are subject to change.

Independent Living Cottage Homes

Residence	Home Style	Sq Ft	Traditional Declining	50% Refundable	90% Refundable	Monthly Service Fee	Campus Location
Cedarcrest	1 bed, 1 bath w/den	892	\$250,292	\$312,864	\$362,922	\$2,232	Far West/East
Willow	2 bed, 1 bath	912	\$259,692	\$324,615	\$376,554	\$2,259	Far West/East
Glen Oak	2 bed, 1 bath	940	\$269,092	\$336,365	\$390,183	\$2,291	Far West/East
Mulberry-Wescott I	2 bed, 1 bath	940	\$269,092	\$336,365	\$390,183	\$2,349	Wescott I/East
Sycamore-Wescott I	2 bed, 1 bath	940	\$269,092	\$336,365	\$390,183	\$2,414	Wescott I/East
Aspen-Wescott I	2 bed, 1 bath	940	\$269,092	\$336,365	\$390,183	\$2,473	Wescott I/East
Rockport-Wescott II	2 bed, 1 1/2 bath	1,075	\$343,122	\$428,903	\$497,527	\$2,531	Wescott II/East
Stone Haven-Westcott	2 bed, 2 bath w/den	1,267	\$403,051	\$503,813	\$584,424	\$2,596	Wescott II/East
Sunnydale-Wescott II	2 bed, 2 bath, sunroom	1,439	\$448,879	\$560,328	\$650,876	\$2,655	Wescott II/East
Second Person Fee						\$964	

Independent Living Apartment Homes

Residence	Home Style	Sq Ft	Exterior Sq Ft	Traditional Declining	50% Refundable	90% Refundable	Monthly Service Fee
The White Oak	1 bed, 1 bath	737	60	\$311,796	\$388,200	\$449,323	\$1,803
The Carderock	1 bed, 1 bath	748	0	\$310,246	\$387,807	\$449,857	\$1,829
The Crescent I & II	1 bed, 1-1/2 bath	821	144	\$350,749	\$435,861	\$503,951	\$2,007
The Crescent III & IV	1 bed, 1-1/2 bath	862	60	\$363,630	\$452,993	\$524,483	\$2,108
The Grove I	1 bed, 1-1/2 bath	888	144	\$378,532	\$470,591	\$544,237	\$2,171
The Grove II	1 bed, 1-1/2 bath	888	0	\$368,232	\$460,291	\$533,937	\$2,171
The Seneca I	1 bed, 1-1/2 bath	898	144	\$382,679	\$475,773	\$550,250	\$2,196
The Seneca II	1 bed, 1-1/2 bath	898	0	\$372,379	\$465,473	\$539,950	\$2,196
The Monocacy I & II	1 bed, 1-1/2 bath	906	60	\$381,877	\$475,800	\$550,940	\$2,216
The Meadowside I	1 bed, 1-1/2 bath	906	144	\$385,997	\$479,920	\$555,060	\$2,216
The Meadowside II & III	1 bed, 1-1/2 bath	906	60	\$381,877	\$475,800	\$550,940	\$2,216
The Sandy Spring I & II	1 bed, 1-1/2 bath	1,005	0	\$416,842	\$521,052	\$604,420	\$2,458
The Rock Hill I & II	1 bed, 1-1/2 bath, w/den	1,010	60	\$424,992	\$529,708	\$613,473	\$2,470
The Waters I	1 bed, 1-1/2 bath w/den	1,109	144	\$470,175	\$585,144	\$677,120	\$2,712
The Waters II	1 bed, 1-1/2 bath w/den	1,147	60	\$481,813	\$600,722	\$695,848	\$2,805
The Henson I & II	2 bed, 2 bath	1,173	216	\$501,864	\$623,468	\$720,752	\$2,869
The Henson III & IV & V	2 bed, 2 bath	1,173	60	\$492,594	\$614,198	\$711,482	\$2,869
The Croydon	2 bed, 2 bath	1,205	116	\$505,975	\$630,924	\$730,883	\$2,947
The Lewis I	1 bed, 1-1/2 bath w/den	1,239	168	\$524,084	\$652,529	\$755,286	\$3,030
The Lewis II	1 bed, 1-1/2 bath w/den	1,239	80	\$519,964	\$648,409	\$751,166	\$3,030
Second Person Fee							\$927

Residence	Home Style	Sq Ft	Exterior Sq Ft	Traditional Declining	50% Refundable	90% Refundable	Monthly Service Fee
The Cabin John I & II	2 bed, 2 bath	1,261	78	\$529,086	\$659,813	\$764,394	\$3,084
The Magnolia I	2 bed, 2 bath w/ den	1,261	144	\$533,206	\$663,933	\$768,514	\$3,084
The Magnolia II	2 bed, 2 bath w/ den	1,261	60	\$529,086	\$659,813	\$764,394	\$3,084
The Bennett I	1 bed, 1-1/2 bath w/den	1,273	168	\$538,182	\$670,153	\$775,729	\$3,113
The Bennett II	1 bed, 1-1/2 bath w/den	1,273	80	\$534,062	\$666,033	\$771,609	\$3,113
The Sugarloaf I	2 bed, 2 bath w/ den	1,290	144	\$545,232	\$678,965	\$785,951	\$3,155
The Sugarloaf II	2 bed, 2 bath w/den	1,290	60	\$541,112	\$674,845	\$781,831	\$3,155
The Kingsbury	1 bed, 1-1/2 bath w/den	1,304	63	\$546,918	\$682,101	\$790,249	\$3,189
The Brookside I & II	2 bed, 2 bath	1,334	98	\$559,358	\$697,652	\$808,287	\$3,262
The Brookside III & IV	2 bed, 2 bath	1,334	60	\$559,358	\$697,652	\$808,287	\$3,262
The Quince Orchard	2 bed, 2 bath	1,416	152	\$597,481	\$744,276	\$861,712	\$3,463
The Hickory I & II	2 bed, 2 bath w/ den	1,519	96	\$636,072	\$793,546	\$919,524	\$3,715
The Hickory III & IV	2 bed, 2 bath w/ den	1,519	60	\$636,072	\$793,546	\$919,524	\$3,715
The Takoma	2 bed, 2 bath w/ den	1,576	60	\$659,709	\$823,092	\$953,798	\$3,854
The Vista	2 bed, 2 bath w/ den	1,602	406	\$679,761	\$845,838	\$978,701	\$3,918
The Cedar	2 bed, 2 bath w/den	1,607	100	\$672,712	\$839,345	\$972,651	\$3,930
The Twinbrook I & II	2 bed, 2 bath w/ den	1,607	60	\$672,564	\$839,160	\$972,436	\$3,930
The Lakeview	2 bed, 2-1/2 bath w/den	1,736	479	\$735,327	\$915,296	\$1,059,272	\$4,246
The Overlook	2 bed, 2-1/2 bath w/den	1,786	254	\$756,061	\$941,214	\$1,089,336	\$4,368
Second Person Fee							\$927

The 2021 Independent Living entrance fees for Glenmere apartments were:

	Traditional	50% Refundable	90% Refundable
2 bedroom, 2 bath (Cabin John)	\$529,086	\$659,813	\$764,394
2 bedroom, 2 bath w/den (Magnolia I)	\$533,206	\$663,933	\$768,514
2 bedroom, 2 bath w/den (Magnolia II)	\$529,086	\$659,813	\$764,394
1 bedroom, 1 ½ bath w/den (Bennett I)	\$538,182	\$670,153	\$775,729
1 bedroom, 1 ½ bath w/den (Bennett II)	\$534,062	\$666,033	\$771,609
2 bedroom, 2 bath w/den (Sugarloaf I)	\$545,232	\$678,965	\$785,951
2 bedroom, 2 bath w/den (Sugarloaf II)	\$541,112	\$674,845	\$781,831
1 bedroom, 1 ½ bath w/den (Kingsbury)	\$546,918	\$682,101	\$790,249
2 bedroom, 2 bath (Brookside)	\$559,358	\$697,652	\$808,287
2 bedroom, 2 bath (Quince Orchard)	\$597,481	\$744,276	\$861,712
2 bedroom, 2 bath w/den (Hickory)	\$636,072	\$793,546	\$919,524
2 bedroom, 2 bath w/den (Takoma)	\$659,709	\$823,092	\$953,798
2 bedroom, 2 bath w/den (Vista)	\$679,761	\$845,838	\$978,701
2 bedroom, 2 bath w/den (Cedar)	\$672,712	\$839,345	\$972,651
2 bedroom, 2 bath w/den (Twinbrook)	\$672,564	\$839,160	\$972,436
2 bedroom, 2 ½ bath w/den (Lakeview)	\$735,327	\$915,296	\$1,059,272
2 bedroom, 2 ½ bath w/den (Overlook)	\$756,061	\$941,214	\$1,089,336
1 bedroom, 1 bath (White Oak)	\$311,796	\$388,200	\$449,323
1 bedroom, 1 bath (Carderock)	\$310,246	\$387,807	\$449,857
1 bedroom, 1 ½ bath (Crescent I & II)	\$350,749	\$436,861	\$503,951
1 bedroom, 1 ½ bath (Crescent III & IV)	\$363,630	\$452,993	\$524,483
1 bedroom, 1 ½ bath (Grove I)	\$378,532	\$470,591	\$544,237
1 bedroom, 1 ½ bath (Grove II)	\$368,232	\$460,291	\$533,937
1 bedroom, 1 ½ bath (Seneca I)	\$382,679	\$475,773	\$550,250
1 bedroom, 1 ½ bath (Seneca II)	\$372,379	\$465,473	\$539,950
1 bedroom, 1 ½ bath (Monocacy)	\$381,877	\$475,800	\$550,940
1 bedroom, 1 ½ bath (Meadowside I)	\$385,997	\$479,920	\$555,060
1 bedroom, 1 ½ bath (Meadowside II & III)	\$381,877	\$475,800	\$550,940
1 bedroom, 1 ½ bath (Sandy Spring)	\$416,842	\$521,052	\$604,420
1 bedroom, 1 ½ bath w/den (Rock Hill)	\$424,992	\$529,708	\$613,473
1 bedroom, 1 ½ bath w/den (Waters I)	\$470,175	\$585,144	\$677,120
1 bedroom, 1 ½ bath w/den (Waters II)	\$481,813	\$600,772	\$695,848
2 bedroom, 2 bath (Henson I & II)	\$501,864	\$623,468	\$720,752
2 bedroom, 2 bath (Henson III, IV & V)	\$492,594	\$614,198	\$711,482
2 bedroom, 2 bath (Croydon)	\$505,975	\$630,924	\$730,883
1 bedroom, 1 ½ bath w/den (Lewis I)	\$524,084	\$652,529	\$755,286
1 bedroom, 1 ½ bath w/den (Lewis II)	\$519,964	\$648,409	\$751,116

Excluding Glenmere apartments, which were not available for occupancy prior to 2021, the entrance fees for the last five years are as follows:

Year	Cedarcrest	Willow	Glen Oak Mulberry Sycamore Aspen	Rockport	Stone Haven	Sunnydale	
2018	213,000	221,000	229,000	292,000	343,000	382,000	(Trad.)
2018	262,250	276,250	286,250	365,000	428,750	477,500	(50% Ref.)
2018	308,850	320,450	332,050	423,400	497,350	553,900	(90% Ref.)
2019	225,972	234,459	242,946	309,783	363,889	405,264	(Trad.)
2019	282,465	293,074	303,683	387,229	454,861	505,580	(50% Ref.)
2019	327,659	339,966	352,272	449,185	527,639	587,633	(90% Ref.)
2020	233,655	242,431	251,206	320,316	376,261	419,043	(Trad.)
2020	292,069	303,039	314,008	400,395	470,326	523,084	(50% Ref.)
2020	338,799	351,525	364,249	464,457	545,579	607,613	(90% Ref.)
2021	240,665	249,704	258,742	329,925	387,519	431,614	(Trad.)
2021	300,831	312,130	323,428	412,407	484,436	538,777	(50% Ref.)
2021	348,963	362,071	375,176	478,391	561,946	625,841	(90% Ref.)
2022	250,292	259,692	269,092	343,122	403,051	448,879	(Trad.)
2022	312,864	324,615	336,365	428,903	503,813	560,328	(50% Ref.)
2022	362,922	376,554	390,183	497,527	584,424	650,876	(90% Ref.)

Residents moving in after January 1, 2018 are under a new fee structure, which includes a refundable entrance fees refund option, in addition to the non-refundable entrance fee option provided in previous documents. If a resident enters AL or SNF from IL for healthcare services, the IL resident pays TVAR's published rates, unless covered by Medicare, Medicaid or other third party insurance.

TVAR currently offers three entrance fee refund options: 1) Traditional Entrance Fee, 2) 50% Refundable Entrance Fee, and 3) 90% Refundable Entrance Fee.

Ten percent (10%) of the entrance fee is non-refundable upon occupancy for all refund options "Administrative Fee".

Traditional Entrance Fee - After the 10% Administrative Fee is deducted, the remaining 90% is amortized at the rate of 1.5% per month over 60 months.

50% Refundable Entrance Fee – After the 10% Administrative Fee is deducted, the remaining 90% is amortized at the rate of 1.5% per month for approximately 30 months. After 30 months, the refund is limited to 50% of the entrance fee.

90% Refundable Entrance Fee - After the 10% Administrative Fee is deducted, the remaining ninety percent (90%) does not amortize and is fully refundable.

The IL unit always remains the property of TVAR. The resident may continue to reside in an IL unit as long as the resident is able to live independently and the Residence and Care Agreement remains in force. Should a resident die in tenancy, a surviving co-resident may remain in the unit if able to live independently.

For prospective residents, 10% of the entrance fee is payable when the Residence and Services Agreement, the contractual agreement between TVAR and the depositor, is signed. The remaining 90% is payable when TVAR notifies the resident that the unit is ready for occupancy or simultaneous with occupancy, whichever is earlier.

INDEPENDENT LIVING MONTHLY FEES:

The monthly fee effective January 1, 2022 for residents that moved in to cottages prior to 1/1/2012 is between \$880 - \$1,108, subject to adjustment. Fees represent the unit's pro rata share of the overall cost for maintenance and care of the buildings and grounds as well as the taxes for each unit. The schedule of annual fee increases over the last five years is as follows:

Year	Cedarcrest		Willow		Glen Oak Mulberry Sycamore		Rockport	Stone Haven	Sunnydale			
					Aspen							
2017	\$	540	\$	545	\$	550	\$	630	\$	655	\$	680
2018	\$	621	\$	627	\$	633	\$	725	\$	753	\$	782
2019	\$	714	\$	721	\$	727	\$	833	\$	866	\$	899
2020	\$	821	\$	829	\$	836	\$	958	\$	996	\$	1,034
2021	\$	846	\$	854	\$	861	\$	987	\$	1,026	\$	1,065
2022	\$	880	\$	888	\$	895	\$	1,026	\$	1,067	\$	1,108

Residents that moved in to cottages between January 1, 2012 and December 31, 2017, have a different rate structure than pre-existing residents as documented above. The schedule of annual fee increases over the last five years is as follows:

Year	Cedarcrest		Willow		Aspen		Glen Oak Mulberry		Rockport	Stone Haven		Sunnydale	Second Occupant Fee			
2017	\$	620	\$	625	\$	630	\$	630	\$	710	\$	750	\$	780	\$	305
2018	\$	713	\$	719	\$	725	\$	725	\$	817	\$	863	\$	897	\$	336
2019	\$	820	\$	827	\$	833	\$	833	\$	939	\$	992	\$	1,032	\$	369
2020	\$	943	\$	951	\$	958	\$	958	\$	1,080	\$	1,141	\$	1,186	\$	387
2021	\$	971	\$	980	\$	987	\$	987	\$	1,112	\$	1,175	\$	1,222	\$	400
2022	\$	1,010	\$	1,019	\$	895	\$	1,026	\$	1,156	\$	1,271	\$	1,271	\$	416

Effective January 1, 2022 for residents moving in on 1/1/2018 or later, monthly fees for cottages are as follows:

	2020	2021	2022
1 bedroom, 1 bath w/ den (Cedarcrest)	1,695	2,146	1,816
2 bedroom, 1 bath (Willow)	1,720	2,172	1,843
2 bedroom, 1 bath (Glen Oak)	1,750	2,203	1,875
2 bedroom, 1 bath (Mulberry)	1,805	2,259	1,933
2 bedroom, 1 bath (Sycamore)	1,865	2,321	1,998
2 bedroom, 1 bath (Aspen Wescott I)	1,920	2,378	2,057
2 bedroom, 1 ½ bath (Rockport)	1,975	2,434	2,115
2 bedroom, 2 bath (Stone Haven Wescott II)	2,035	2,496	2,180
2 bedroom, sunroom, 2 bath (Sunnydale Wescott II)	2,553	2,553	2,239
Second Occupant Fee:	\$964		

Effective January 1, 2022 cottage rental monthly resident fees are as follows:

Year	Cedarcrest	Willow	Glenoak
2021	\$ 2,951	\$ 3,013	\$ 3,100
2022	\$ 3,069	\$ 3,134	\$ 3,224

Each unit has individual utility meters and residents who moved in prior to January 1, 2018 pay the utility company directly. Any resident entering the community after that date will have their basic utility costs paid by TVAR.

2021 Independent Living unit monthly fees for Glenmere apartments were:

2 bedroom, 2 bath (Cabin John)	\$3,084
2 bedroom, 2 bath w/den (Magnolia I)	\$3,084
2 bedroom, 2 bath w/den (Magnolia II)	\$3,084
1 bedroom, 1 ½ bath w/den (Bennett I)	\$3,113
1 bedroom, 1 ½ bath w/den (Bennett II)	\$3,113
2 bedroom, 2 bath w/den (Sugarloaf I)	\$3,155
2 bedroom, 2 bath w/den (Sugarloaf II)	\$3,155
1 bedroom, 1 ½ bath w/den (Kingsbury)	\$3,189
2 bedroom, 2 bath (Brookside)	\$3,262
2 bedroom, 2 bath (Quince Orchard)	\$3,463
2 bedroom, 2 bath w/den (Hickory)	\$3,715
2 bedroom, 2 bath w/den (Takoma)	\$3,854
2 bedroom, 2 bath w/den (Vista)	\$3,918
2 bedroom, 2 bath w/den (Cedar)	\$3,930

2 bedroom, 2 bath w/den (Twinbrook)	\$3,930
2 bedroom, 2 ½ bath w/den (Lakeview)	\$4,246
2 bedroom, 2 ½ bath w/den (Overlook)	\$4,368
1 bedroom, 1 bath (White Oak)	\$1,803
1 bedroom, 1 bath (Carderock)	\$1,829
1 bedroom, 1 ½ bath (Crescent I & II)	\$2,007
1 bedroom, 1 ½ bath (Crescent III & IV)	\$2,108
1 bedroom, 1 ½ bath (Grove I)	\$2,171
1 bedroom, 1 ½ bath (Grove II)	\$2,171
1 bedroom, 1 ½ bath (Seneca I)	\$2,196
1 bedroom, 1 ½ bath (Seneca II)	\$2,196
1 bedroom, 1 ½ bath (Monocacy)	\$2,216
1 bedroom, 1 ½ bath (Meadowside I)	\$2,216
1 bedroom, 1 ½ bath (Meadowside II & III)	\$2,216
1 bedroom, 1 ½ bath (Sandy Spring)	\$2,458
1 bedroom, 1 ½ bath w/den (Rock Hill)	\$2,470
1 bedroom, 1 ½ bath w/den (Waters I)	\$2,712
1 bedroom, 1 ½ bath w/den (Waters II)	\$2,805
2 bedroom, 2 bath (Henson I & II)	\$2,869
2 bedroom, 2 bath (Henson III, IV & V)	\$2,869
2 bedroom, 2 bath (Croydon)	\$2,947
1 bedroom, 1 ½ bath w/den (Lewis I)	\$3,030
1 bedroom, 1 ½ bath w/den (Lewis II)	\$3,030
Second Person Fee	\$927

ASSISTED LIVING ENTRANCE FEE:

All AL residents are private pay. There is a \$300.00 non-refundable application fee for each apartment suite and is due upon application submission. The application fee will be applied to the community fee. Every resident also pays a \$2,500 non-refundable community fee upon admission. Personal care items are made available to AL residents at additional cost.

ASSISTED LIVING MONTHLY FEE:

The 2022 assisted living monthly fees range from \$5,824 - \$11,331 depending on unit type and level of care. A resident's level of care is determined by the Resident Assessment Tool, which assesses a resident's physical, functional and psychological strengths and deficits. TVAR offers six levels of care ranging from level 1/low level of care required to level 6/highest level of care required. The schedule of annual fee increases over the last five years is as follows:

Base Rate	Studio	Studio Deluxe	One Bedroom	Second Occupant
2021	5,600	5,900	6,900	1,200
2022	5,824	6,136	7,176	1,200

Level 1 (Care Minutes – up to 70)	Studio	Studio Deluxe	One Bedroom	Second Occupant
2018	6,249 - 6,715	6,482 - 6,947	7,528 - 7,994	
2019	6,436 - 6,916	6,676 - 7,155	7,754 - 8,234	
2020	6,661 - 7,158	6,910 - 7,405	8,025 - 8,522	
2021	7,064	7,364	8,364	2,664
2022	7,361	7,673	8,713	2,737

Level 2 (Care Minutes – 71 - 95)	Studio	Studio Deluxe	One Bedroom	Second Occupant
2018	6,714 - 7,414	6,947 - 7,874	7,994 - 8,920	
2019	6,915 - 7,636	7,155 - 8,110	8,233 - 9,188	
2020	7,158 - 7,903	7,405 - 8,394	8,522 - 9,510	
2021	7,386	7,686	8,686	2,986
2022	7,699	8,011	9,051	3,075

Level 3 (Care Minutes 96 – 120)	Studio	Studio Deluxe	One Bedroom	Second Occupant
2018	7,414 - 8,107	7,874 - 9,033	8,920 - 10,078	
2019	7,636 - 8,350	8,110 - 9,304	9,188 - 10,380	
2020	7,903 - 8,642	8,394 - 9,630	9,510 - 10,743	
2021	7,779	8,079	9,079	3,379
2022	8,112	8,424	9,464	3,488

Level 4	Studio	Studio Deluxe	One Bedroom	Second Occupant
(Care Minutes 121 – 145)				
2021	8,285	8,558	9,558	3,858
2022	8,615	8,927	9,967	3,991
Level 5	Studio	Studio Deluxe	One Bedroom	Second Occupant
(Care Minutes 146 – 170)				
2021	8,843	9,143	10,143	4,443
2022	9,229	9,541	10,581	4,605
Level 6	Studio	Studio Deluxe	One Bedroom	Second Occupant
(Care Minutes 171 – 195)				
2021	9,557	9,857	10,857	5,157
2022	9,979	10,291	11,331	5,355

ASSISTED LIVING MEMORY SUPPORT MONTHLY FEES:

The 2022 AL Memory Support monthly fees range from \$6,032 - \$12,05 depending on unit type and level of care. A resident's level of care is determined by the Resident Assessment Tool, which assesses a resident's physical, functional and psychological strengths and deficits. TVAR offers **six** levels of care, ranging from level 1/low level of care required to level 6/highest level of care required. Every member also pays a \$2,500 non-refundable community fee upon admission. The schedule of annual fee increases over the last five years is as follows:

Base Rate	Studio	Studio Deluxe	One Bedroom	
2021	5,800	6,100	7,100	
2022	6,032	6,344	7,384	
Level 1	Studio	Studio Deluxe	One Bedroom	(Care Minutes – up to 70)
2018	6,802	7,048	8,168	
2019	7,006	7,259	8,413	
2020	7,251	7,513	8,707	
2021	7,447	7,747	8,747	
2022	7,761	8,073	9,113	
Level 2	Studio	Studio Deluxe	One Bedroom	(Care Minutes – 71 - 95)
2018	7,430	7,786	8,879	
2019	7,653	8,020	9,145	
2020	7,921	8,301	9,465	
2021	7,809	8,109	9,109	
2022	8,142	8,454	9,464	

Level 3	Studio	Studio Deluxe	One Bedroom	(Care Minutes 96 – 120)
2018	8,168	8,879	9,971	
2019	8,413	9,145	10,270	
2020	8,707	9,465	10,629	
2021	8,251	8,551	\$9,551	
2022	8,606	8,918	9,958	
Level 4	Studio	Studio Deluxe	One Bedroom	(Care Minutes 121 – 145)
2021	8,791	9,091	10,091	
2022	9,172	9,484	10,524	
Level 5	Studio	Studio Deluxe	One Bedroom	(Care Minutes 146 – 170)
2021	9,449	9,749	10,749	
2022	9,863	10,175	11,215	
Level 6	Studio	Studio Deluxe	One Bedroom	(Care Minutes 171 – 195)
2021	10,251	10,551	11,551	
2022	10,706	11,018	12,058	

RESIDENTS' ASSOCIATION:

The Resident Association of IL works cooperatively with the Administration and the Board of Trustees as a vital part of TVAR. All TVAR residents are members of the Association. The Association: encourages all residents of IL to sense a common bond of friendship as participants in the TVAR community; coordinates and plans community activities; provides a focal point for situations deemed pertinent to all members; provides information related to current public policies as they affect the role of the IL as an active continuing care retirement community; and cooperates with the Administration and the Board of Trustees in maintaining an enjoyable and purposeful life together.

TVAR has established an internal grievance procedure to address resident grievances. An IL, AL, and SNF resident, or a group of residents collectively may submit a grievance in writing to the Executive Director or to the Community Services Manager. TVAR will send a written acknowledgement to the resident, or group of residents, within five days after receipt of the written grievance. TVAR will assign personnel to investigate the grievance. A resident, or groups of residents, who file a written grievance are entitled to a meeting with management of TVAR within 30 days after receipt of the written grievance in order to present the grievance. TVAR will provide a response in writing within 45 days after receipt of the written grievance as to the investigation and resolution of the grievance. Within 30 days after TVAR provides its response to the grievance, a resident or group of residents, or TVAR, may seek mediation through one of the community mediation centers in the State or another mediation provider. If a resident, group of residents, or TVAR seeks mediation under the preceding sentence, the mediation shall be nonbinding.

A Continuing Care Resident may submit a grievance to the Executive Director's office. TVAR will acknowledge receipt of the grievance within five days and provide a response within 45 days after receipt of the written grievance as to the investigation and resolution of the Resident's grievance. A copy of the Policy is found on Page 18 and the Quality Assurance and Improvement form is on Page 19.

BOARD OF TRUSTEES:

Our Board of Trustees is comprised of the following individuals who volunteer their time to serve TVAR and have no financial interest:

Chair	Michael Manganiello
Vice Chair	Dr. Damien Doyle
Treasurer/Secretary	Phyllis Rumbarger
President and CEO, NLCS	Cyndi A. Walters
	Eva Jun

The TVAR Board of Trustees, in consultation with the President/Chief Executive Officer of National Lutheran Inc., shall elect an Executive Director to manage TVAR. At least annually, the Executive Director, along with a Board representative, shall present a summary of the provider's operation, significant changes from the previous year, and the goals and objectives for the next year. The governing body shall be open to receive and answer questions raised by the subscribers at the meeting. The meeting shall be open to all subscribers. TVAR has a subscriber as a member of the Board of Trustees.

A member of the community serves as a full voting member of the TVAR Board of Trustees. The Resident Association puts forth a slate of interested community members to the community who chooses which representative to recommend to the Board and Administration for installation. The Board has the final ratification for the community representative.

INVESTMENT ACTIVITIES:

TVAR uses the services of an independent investment advisor to manage, supervise, administer, and change investments per a written agreement. Investment policy is set by the Board of Trustees and is reviewed annually.

OPERATING RESERVES:

TVAR is in full compliance with the Operating Reserve requirements defined in Sections 10-419 through 10-421 of the Human Services Article of the Annotated Code of Maryland as of December 31 2019. The operating reserve fund investments are reviewed by the Finance Committee of the Board of Trustees annually and by independent auditors annually. As illustrated in the table below, TVAR is projected to meet or exceed the statutory operating reserve requirement annually from 2021 through 2024, including the increased requirements in 2023 from 15% to 25%:

	12/31/2022 Projected	12/31/2023 Projected	12/31/2024 Projected
Total Operating Expenses	44,779,382	45,007,215	45,840,127
Less:			
Depreciation	(6,355,000)	(6,182,765)	(5,943,730)
Interest	(3,154,595)	(3,066,925)	(3,016,679)
Amortization	(199,236)	(200,000)	(200,000)
Net Operating Expenses	35,070,551	35,557,525	36,679,718
Minimum Statutory Operating Reserve Requirement	15%	25%	25%
Statutory Operating Reserve Requirement	5,260,583	8,889,381	9,169,930
Cash and Cash Equivalents	-	-	-
Unrestricted Investments	5,260,583	8,889,381	9,169,930
	5,260,583	8,889,381	9,169,930
Funds Available > Statutory Op Reserve Requirement	YES	YES	YES

Conclusion: Based on estimates and projections, TVAR is anticipated to have sufficient liquidity to meet the increased statutory operating reserve requirement beginning in 2023. This principally results from the additional liquidity from net entrance fees from Glenmere remaining after the redemption of short-term debt. The Village at Rockville will continue to benefit from the Support Agreement with National Lutheran Inc. (parent entity) which provides liquidity, if needed, to maintain debt compliance.

DESCRIPTION OF LONG TERM FINANCING:

Glenmere:

Please refer to Note #8, Long Term Debt of the Financial Report for description of long-term debt.

Renewal and Replacement of Buildings and Facilities: TVAR provides approximately \$1.0M - \$1.5M in capital expenditures annually related to renewal, replacement, and improvement at the community. These funds are provided from operations and independent living unit entrance fee turnover cash flow, as supplemented from time to time from funds advanced to TVAR by NLCS. A capital replacement budget is prepared and updated every three (3) years with the assistance of an outside consultant and used as a guide to general improvements. The capital replacement budget is reviewed and approved by both the TVAR and NLCS Board of Directors annually as part of the budget process. Longer term capital improvements (addition, renovation and replacement of facilities) are financed on a project specific basis through the issuance of tax-exempt revenue bonds as more fully described above.

BASIC SERVICES:

- ConnectedLiving (activities)
- Parking
- Landscaped Grounds
- Emergency Call
- Emergency Response Pendants
- Security
- Priority Access to AL and SNF
- Smoke and Carbon Monoxide Detectors
- IL with Supportive Care Services Available
- IL Dining Program
- No additional health care services are included in the entrance fee or monthly fee of the IL program

SERVICES WITH ADDITIONAL FEES:

- Housekeeping
- Transportation
- Meal replacement
- Hair salon
- Support for activities of daily living
- Transportation
- Outpatient therapy services (may be billed to Medicare Part B or other participating insurance)

SKILLED NURSING FACILITY FEES:

If an IL or AL resident transfers into the healthcare facility, a new agreement is signed whereby care is paid for at the market rate, a fee-for-service arrangement, including, if necessary, Medical Assistance (Medicaid). All residents of the healthcare facility, whether originally from IL, AL, or directly from outside the community, pay this rate. The healthcare facility provides health care for the elderly. Addressed annually, the fee schedule for the last five years is as follows:

2018	392 per day
2019	408 per day
2020	422 per day
2021	436 per day
2022	458 per day

Attachments:

- **G.1: Certified Financial Statement**
- **G.2: Operating Budgets – Current and next Two Fiscal years.**
- **G.3: Cash Flow Projection – Current and next Two Fiscal years.**
- **G.4: Operating Reserves – See Footnotes to Certified Financial Statement included at G.1.**
- **G.5: 2018 CARF – CCAC Median Financial Ratios.**

This Disclosure Statement shall be amended as necessary, if at any time, in the opinion of the provider or the Maryland Department of Aging, an amendment is necessary to prevent the disclosure statement from containing any material misstatement of fact required to be stated in the disclosure statement or omission of a material fact required to be stated in the disclosure statement.

Policy: Continuing Care Resident Grievances	Effective Date: 10/1/04 revised 10/06, 6/09	Manual: Administration	Approved by (title): Exec. Director Initiated By (title): Administrator
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Policy:

The Village at Rockville addresses written grievances by continuing care residents.

Procedure:

- A Resident may submit a grievance, in writing, to the Community Services Manager for Independent Living residents and the Administrator for continuing care residents; both have offices located in the main building on the property.
- TVAR will provide response within 5 days of submission of the grievance acknowledging receipt.
- The Resident has the right to have a formal meeting with the Administration before the resolution has been determined.
- Within 45 days of receipt of the written grievance the Administration will give the results of the investigation and resolution of the Resident's grievance to the Resident.

Resident: _____ **Unit #:** _____ **Date:** _____

Complainant: _____

Complaint: (Attach if complaint is made in writing.)

Investigation:

Date initiated: _____ **Date completed and complainant notified:** _____

Staff Involved: _____

Comments: _____

Signature, Title _____

The Village at Rockville, Inc.

Financial Report

December 31, 2021

Financial Statements:

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Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of The Village at Rockville, Inc. (Organization), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, The Village at Rockville, Inc. received government funding through the Small Business Administration (SBA) Paycheck Protection Program (PPP) and the U.S. Department of Health and Human Services (HHS) Provider Relief Fund (PRF) consequent to the operating conditions created by the COVID-19 pandemic. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Baker Tilly US, LLP

New Castle, Pennsylvania
April 21, 2022

BALANCE SHEETS**December 31, 2021 and 2020**

ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,456	\$ 111,500
Accounts receivable, net	1,788,222	1,558,785
Prepaid expenses and other assets	374,157	404,183
Pledges receivable, net	3,000	-
Current portion of assets whose use is limited	8,947,755	5,191,383
Total current assets	11,119,590	7,265,851
 ASSETS WHOSE USE IS LIMITED, net	 7,422,831	 15,210,305
 INVESTMENTS	 5,110,800	 4,470,791
 BENEFICIAL INTEREST IN SUPPORTING ORGANIZATION	 38,180,514	 25,772,948
 PROPERTY AND EQUIPMENT, net	 112,064,322	 116,164,278
 FUNDS HELD IN TRUST BY OTHERS	 2,094,490	 2,038,020
 Total assets	 \$ 175,992,547	 \$ 170,922,193

See Notes to Financial Statements

LIABILITIES AND NET ASSETS**2021****2020****CURRENT LIABILITIES**

Accounts payable, trade	\$ 962,495	\$ 2,184,074
Accounts payable, construction	-	3,076,205
Accrued interest	1,542,755	1,665,178
Accrued expenses	3,012,341	2,419,851
Current portion of long-term debt	10,395,000	450,000

Total current liabilities**15,912,591** 9,795,308**DEFERRED REVENUE FROM ENTRANCE FEES****29,579,175** 6,684,689**REFUNDABLE ENTRANCE FEES****37,577,591** 4,399,636**RESIDENT DEPOSITS****436,831** 5,451,630**LONG-TERM DEBT, net****52,445,807** 99,846,814**DUE TO AFFILIATES, net****24,331,844** 21,399,578**ANNUITIES PAYABLE, net****65,015** 70,045**Total liabilities****160,348,854** 147,647,700**NET ASSETS**

Without donor restrictions	11,703,560	19,734,572
With donor restrictions	3,940,133	3,539,921

Total net assets**15,643,693** 23,274,493**Total liabilities and net assets****\$ 175,992,547** \$ 170,922,193*See Notes to Financial Statements*

STATEMENTS OF OPERATIONS
Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue:		
Net resident service revenue, including amortization of entrance fees 2021 \$2,665,869; 2020 \$1,530,620	\$ 30,136,124	\$ 27,175,662
Provider Relief Funds	402,795	1,514,407
Paycheck Protection Program contribution	-	3,293,200
Net assets released from restrictions, operations	14,204	67,712
Total operating revenue	30,553,123	32,050,981
Operating expenses:		
Salaries and wages	13,611,958	13,758,166
Employee benefits and payroll taxes	3,372,917	3,667,343
Professional fees	3,159,582	1,578,085
Ancillary and medical	2,669,424	3,267,687
Supplies	665,171	678,553
Food services	1,190,617	900,223
Utilities	1,445,087	924,311
Depreciation	6,333,695	3,901,986
Interest	4,706,019	1,259,702
Insurance	190,249	95,950
Real estate taxes	1,052,532	274,861
Repairs and maintenance	558,199	564,815
Advertising and marketing	358,558	206,371
Licenses, dues, and subscriptions	684,805	621,879
Other operating expenses	294,700	220,495
Bad debt expense	111,859	195,907
Management fee	2,892,600	2,504,395
Total operating expenses	43,297,972	34,620,729
(Deficiency) of operating revenue over expenses	(12,744,849)	(2,569,748)
Nonoperating revenue:		
Contributions	73,819	1,335,612
Interest and dividends	990,954	914,882
Other income	219,303	189,328
Realized gains	1,543,722	18,468
Unrealized gains	1,677,280	2,455,349
Total nonoperating revenue	4,505,078	4,913,639
Excess (deficiency) of operating and nonoperating revenue over expenses	(8,239,771)	2,343,891
Other changes:		
Unrealized gains	1,114,246	628,035
Loss on extinguishment of debt	(905,487)	-
Total other changes	208,759	628,035
Change in net assets without donor restrictions	\$ (8,031,012)	\$ 2,971,926

See Notes to Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (deficiency) of operating and nonoperating revenue over expenses	\$ (8,239,771)	\$ 2,343,891
Unrealized gains	1,114,246	628,035
Loss on extinguishment of debt	(905,487)	-
Change in net assets without donor restrictions	(8,031,012)	2,971,926
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	342,481	283,675
Funds held in trust income	15,466	-
Change in value of funds held in trust by others	56,469	47,574
Net assets released from restriction, operations	(14,204)	(67,712)
Change in net assets with donor restrictions	400,212	263,537
Change in net assets	(7,630,800)	3,235,463
Net assets:		
Beginning	23,274,493	20,039,030
Ending	\$ 15,643,693	\$ 23,274,493

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,630,800)	\$ 3,235,463
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,333,695	3,901,986
Provision for bad debts	111,859	195,907
Loss on extinguishment of debt	905,487	-
Amortization of deferred financing costs	198,771	31,542
Amortization of entrance fees	(2,665,869)	(1,530,620)
Proceeds from non-refundable entrance fees	-	391,307
Realized gains	(1,543,722)	(18,468)
Unrealized gains	(2,798,348)	(3,083,384)
Change in value of funds held in trust by others	(56,470)	(18,466)
Change in annuities payable	(5,030)	(11,356)
Changes in assets and liabilities:		
Accounts receivable	(341,296)	447,590
Prepaid expenses and other assets	30,026	(105,995)
Accounts payable, trade and accrued expenses	429,467	1,711,846
Net cash provided by (used in) operating activities	(7,032,230)	5,147,352
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments and assets whose use is limited	(923,958)	(843,354)
Purchases of property and equipment	(6,490,922)	(33,401,825)
Net cash (used in) investing activities	(7,414,880)	(34,245,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(42,575,000)	(425,000)
Proceeds from issuance of long-term debt	4,065,000	28,335,000
Payments for financing costs	(50,265)	(329,512)
Net change in resident deposits	(5,046,049)	(1,435,192)
Proceeds from refundable entrance fees, turnover units	58,769,559	1,260,907
Refunds of entrance fees	-	(352,417)
Change in pledges receivable, net	(3,000)	380
Change in due to affiliates, net	(5,267,734)	(4,890,145)
Net cash provided by financing activities	9,892,511	22,164,021
Net change in cash and cash equivalents and restricted cash	(4,554,599)	(6,933,806)
Cash and cash equivalents and restricted cash:		
Beginning	16,293,508	23,227,314
Ending	\$ 11,738,909	\$ 16,293,508

See Notes to Financial Statements

Cash and cash equivalents and restricted cash include:

Cash and cash equivalents	\$ 6,456	\$ 111,500
Resident deposits	-	5,346,561
Assets held under trust indenture	11,531,847	10,636,271
Cash, restricted by donors or grantors for specific purposes	200,606	199,176
	<u>\$ 11,738,909</u>	<u>\$ 16,293,508</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION

Interest paid	<u>\$ 4,384,825</u>	<u>\$ 1,786,661</u>
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SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING
AND FINANCING ACTIVITIES

Accounts payable, construction	<u>\$ -</u>	<u>\$ 3,076,205</u>
Beneficial interest in supporting organization	<u>\$ 8,200,000</u>	<u>\$ 3,830,000</u>
Accrued capitalized interest	<u>\$ -</u>	<u>\$ 1,180,977</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization: The Village at Rockville, Inc. (Organization) is a not-for-profit corporation, originally incorporated in the District of Columbia in 1890 and moved to its present location of Rockville, Maryland, in 1980. The Organization operates a retirement community in Rockville, Maryland, which includes 241 independent living units, 50 assisted living units, and 160 skilled nursing beds. The Organization received a certificate of occupancy for 130 independent living units in December 2020 for the Glenmere expansion. The expansion project was placed into service in January 2021.

National Lutheran, Inc. (NLI) is a not-for-profit Maryland corporation affiliated with the Evangelical Lutheran Church in America (ELCA). The Members of NLI are the Delaware-Maryland Synod, Metropolitan Washington, DC Synod, and the Virginia Synod of the ELCA.

NLI is the parent corporation and sole member of the Organization, which is a member of a system doing business as National Lutheran Communities and Services (NLCS). As a member of NLCS, the Organization shares in the control, support, and services of NLCS.

Basis of accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported assets, liabilities, and disclosures at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and deposit risk: The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, excluding those classified as investments and assets whose use is limited. In the normal course of business, the Organization may have deposits with a local financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable from residents are reported at estimated net realizable value taking into account estimated implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in health care coverage, and other collection indicators. For receivables associated with services provided to residents who have third-party coverage (which includes deductible and payment balances for which third-party coverage exists for part of the bill), the Organization analyzes contractually due amounts and provides an allowance for explicit price concessions, if necessary. Throughout the year, management assesses the adequacy of the estimated price concessions based upon its review of accounts receivable payor composition and aging, taking into consideration recent experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to resident service revenue and to establish an appropriate estimate for price concessions. The Organization has included a reserve within the estimated implicit price concessions of \$82,085 and \$127,889 as of December 31, 2021 and 2020, respectively, which have been recorded as reductions to resident accounts receivable.

Beneficial interest in supporting organization: The Organization maintains a support agreement with National Lutheran, Inc. and National Lutheran Home for the Aged, Inc. (NLHA) relative to the Organization's long-term debt. NLI is the parent to both the Organization and NLHA; NLHA is an affiliate of the Organization. The support agreement outlines that NLI and NLHA will provide access to capital to maintain the Organization's long-term debt requirements. Although the support agreement is with both NLI and NLHA, NLHA holds the investments that are providing the beneficial interest to the Organization. See Note 4 for the percent allocated to the Organization.

NOTES TO FINANCIAL STATEMENTS

Assets whose use is limited, investments, and beneficial interest in supporting organization: Assets held as operating reserves, resident deposits, and assets held under indenture agreements are classified as assets whose use is limited and are reported separately on the accompanying balance sheets. Assets whose use is limited, investments, and beneficial interest in supporting organization are reported on the accompanying balance sheets at fair value, based on quoted market prices as provided by a national exchange, excluding an alternative investment which is valued at net asset value (NAV) per share.

The Organization's investments are comprised of a variety of financial instruments and are managed by third-party investment advisors. The fair values reported on the balance sheets are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported on the balance sheets could change materially in the near term.

Property and equipment: Property and equipment are reported at cost or, if donated, at fair value. Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives. The Organization's capitalization policy is to review invoices in excess of \$5,000 to determine if they should be capitalized. The general range of estimated useful lives is five to twenty years for furniture and equipment and fifteen to forty years for buildings and building and land improvements. Expenditures that extend the useful lives of the asset or significantly increase their capacity are capitalized. Interest expense from borrowings to fund construction projects is capitalized.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

Pledges receivable: Pledges receivable are stated at outstanding balances and are discounted for their present value. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. An allowance for uncollectable pledges is based on management's assessment of the collectability of pledges receivable and was \$0 as of December 31, 2021 and 2020.

Funds held in trust by others: The Organization has been named as a beneficiary of a number of perpetual and charitable remainder trusts which are administered and controlled by independent trustees. The trusts are recorded as contribution revenue when the Organization is notified of the trust's existence. The Organization receives the distributions of earnings from perpetual trusts whose principal is to be held in perpetuity. The earnings from these trusts are recorded as investment income. Depending upon the terms of the remainder trusts, the Organization may receive payments over a specified period of time or at a future date.

Perpetual trusts are valued based upon the fair value of the underlying investments. The change in the fair value of perpetual trusts is reported as a change in net assets with donor restrictions. The fair value of remainder trusts is based upon a calculation of the present value of the estimated future benefits to be received when the trust's assets are distributed and are recorded as net assets with donor restrictions.

Gift annuities: Liabilities related to gift annuities issued by the Organization are recorded at the present value of the future payments based on the donor's life expectancy. Amounts donated in excess of the liability are recorded as contributions without restrictions on the statements of operations. The Organization uses published mortality tables adopted by the United States Internal Revenue Service and an assumed discount rate of approximately 0.05% to 7.50% to determine the present value of the actuarially determined liability. Maryland regulations require a segregated reserve fund with assets at least equal to fund adequate reserves on its outstanding annuity agreement which the Organization maintains in compliance with this requirement.

NOTES TO FINANCIAL STATEMENTS

Entrance fees: The Organization's policy requires payment of an entrance fee for admittance to an independent living residence under a type C fee-for-service contract. The Organization currently offers a traditional entrance fee, 50% guaranteed refund, and 90% guaranteed refund entrance fee option. The refundable portion of the traditional entrance fee is calculated based on a 60 month amortization period after applying a 10% administrative fee. After 60 months of occupancy, no refund is payable to the resident. The refundable portion of the 50% entrance fee is calculated based on a 30 month amortization period after applying a 10% administrative fee. After 30 months of occupancy, the refund payable to the resident is limited to 50% of the entrance fee. The 90% entrance fee guarantees a refund of the entrance fee paid less a 10% administrative fee. Contracts containing varying refund provisions no longer offered by the Organization to new residents remain in force.

The non-refundable portion of the entrance fees are accounted for as deferred revenue from entrance fees and are amortized into earned revenue using the straight-line method over the estimated remaining life of the residents over the contractual term of the contract. At the time of death or contract termination, the remaining nonrefundable balance is recognized as revenue. The remaining life expectancy of the residents is adjusted annually based on actuarial information. The refundable portion of the entrance fees is not amortized into income and is reported as refundable entrance fees liability. Contractual refund obligations amounted to \$37,577,591 and \$4,399,636 as of December 31, 2021 and 2020, respectively.

The Organization also has a rental agreement requiring no entrance fee.

Deferred financing costs: Financing costs were incurred in connection with the issuance of long-term debt. These costs are reported on the accompanying balance sheets as a reduction of long-term debt and are being amortized over the life of the debt using the straight-line method, which approximates the effective interest method. The Organization redeemed in full its 2018C Revenue Bonds during 2021. Accordingly, the Organization recognized a loss of \$905,487 on unamortized debt issuance costs. The amortization of deferred financing costs, included in interest expense on the accompanying statements of operations, totaled \$198,771 and \$31,542 for the years ended December 31, 2021 and 2020, respectively. Accumulated amortization was \$589,841 and \$391,070 as of December 31, 2021 and 2020, respectively. Capitalized deferred financing costs equaled approximately \$0 and \$160,968 as of December 31, 2021 and 2020, respectively.

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenue restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net resident service revenue: Net resident service revenue is reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenue is recognized as performance obligations are satisfied.

NOTES TO FINANCIAL STATEMENTS

Net resident service revenue is primarily comprised of the following revenue streams:

Skilled nursing: Skilled nursing revenue is primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. The Organization has determined that skilled nursing services are considered one performance obligation which is satisfied over time as services are provided. Therefore, skilled nursing revenue is recognized on a daily basis as services are rendered.

Assisted living: Assisted living revenue is primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Organization has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, assisted living revenue is recognized on a month-to-month basis.

Independent living: Independent living revenue is primarily derived from providing housing and services to residents. The Organization has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, independent living monthly fees are recognized on a month-to-month basis.

The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable entrance fees on the accompanying balance sheets.

Other resident services: Other resident services revenue includes services such as housekeeping, laundry, transportation, medical supplies, and other revenue from residents. The Organization has determined that other resident services revenue is considered one performance obligation which is satisfied over time as services are provided. Therefore, other resident services revenue is recognized on a daily basis as services are rendered.

Revenue from nonrefundable entrance fees received is recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which during the contractual term of the contract approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenue from entrance fees on the balance sheets. Amortization of nonrefundable entrance fees included in net resident service revenue was \$2,665,869 in 2021 and \$1,530,620 in 2020.

The Organization receives revenue for services under third-party payor programs, including Medicare, Medicaid, and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Organization estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

NOTES TO FINANCIAL STATEMENTS

The Organization disaggregates revenue by type of service and payor source as this depicts the nature, amount, timing, and uncertainty of its revenue and cash flows as affected by economic factors. Net resident service revenue consists of the following for the years ended December 31:

	2021				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 4,659,487	\$ 3,725,841	\$ 3,682,296	\$ 626,016	\$ 12,693,640
Medicare	7,515,669	-	-	-	7,515,669
Medical Assistance	6,745,379	-	-	-	6,745,379
Commercial insurance	515,567	-	-	-	515,567
Amortization of nonrefundable entrance fees	-	-	2,665,869	-	2,665,869
Total	\$ 19,436,102	\$ 3,725,841	\$ 6,348,165	\$ 626,016	\$ 30,136,124

	2020				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 4,450,360	\$ 4,227,073	\$ 2,110,671	\$ 52,803	\$ 10,840,907
Medicare	8,051,119	-	-	-	8,051,119
Medical Assistance	6,085,148	-	-	-	6,085,148
Commercial insurance	667,868	-	-	-	667,868
Amortization of nonrefundable entrance fees	-	-	1,530,620	-	1,530,620
Total	\$ 19,254,495	\$ 4,227,073	\$ 3,641,291	\$ 52,803	\$ 27,175,662

The Organization has agreements with third-party payors that provide for payments at amounts different from established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medical Assistance:** Under the Maryland Medical Assistance Program's case-mix reimbursement system, the determination of reimbursement rates for skilled nursing costs is based upon a recipient's dependency in Activities of Daily Living (ADLs), and need for and receipt of ancillary nursing services. Each recipient is assigned a reimbursement level depending on his or her degree of dependency in ADLs.
- **Medicare:** Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments.

As described above, the Medical Assistance and Medicare Part A rates are based on clinical, diagnostic, and other factors. The determination of these rates is partially based on the Organization's clinical assessment of its residents. The Organization is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medical Assistance and Medicare programs.

The Organization also has entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Organization under these agreements includes prospectively determined rates per day or discounts from established charges.

Payment terms and conditions for the Organization's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenue for recurring and routine monthly services is generally billed monthly in advance. Net resident service fee revenue for ancillary services is generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenue collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenue from entrance fees on the accompanying balance sheets.

NOTES TO FINANCIAL STATEMENTS

Advertising: The Organization expenses advertising costs as incurred. Advertising expense totaled approximately \$358,600 and \$206,400 for the years ended December 31, 2021 and 2020, respectively.

Loss on extinguishment of debt: During the year ended December 31, 2021, the Organization redeemed its Series 2018C Revenue Bonds (Note 8) with the proceeds from Glenmere entrance fees. This transaction resulted in the recognition of a loss on extinguishment of debt in the amount of \$905,487 for the year ended December 31, 2021.

Excess (deficiency) of operating and nonoperating revenue over expenses: The statements of operations include the determination of excess (deficiency) of operating and nonoperating revenue over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from the performance indicator, consistent with industry practice, include net unrealized gains (losses) on alternative investments measured at NAV and debt securities.

Income tax status: The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and has been recognized as tax exempt under Section 501(a) of the Code. Accordingly, no provision for income taxes has been provided.

Accounting principles generally accepted in the United States of America require an organization to evaluate tax positions taken by the organization and recognize a tax liability or asset if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). The Organization has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. Generally, tax returns for years ended December 31, 2018, and thereafter remain subject to examination by federal and state tax authorities.

Subsequent events: In preparing these financial statements, the Organization evaluated events that occurred through April 21, 2022, the date the financial statements were issued, for potential recognition or disclosure.

Note 2. Liquidity and Availability of Resources

Financial assets are considered liquid and available when convertible into cash within a year. Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheets dates, comprise the following as of December 31:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 6,456	\$ 111,500
Accounts receivable, net	1,788,222	1,558,785
Investments	5,110,800	4,470,791
Beneficial interest in supporting organization	38,180,514	25,772,948
Total financial assets	\$ 45,085,992	\$ 31,914,024

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments. Certain of the donor purpose restricted funds may be utilized as the restrictions are satisfied. As stated in Note 4, the Organization designated a portion of its beneficial interest in supporting organization as an operating reserve to comply with the requirements of the Maryland Department of Aging Reserve Requirements and thus they are not included in the schedule above. Although the Organization does not intend to utilize the operating reserve for general expenditures as part of its annual budget and approval process, amounts designated as operating reserves could be made available as necessary. The operating reserves are included in assets whose use is limited on the balance sheets and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

NOTES TO FINANCIAL STATEMENTS

Note 3. Concentrations of Credit Risk

The Organization grants credit without collateral to its residents, most of whom are local residents and are insured under third-party agreements. The mix of gross receivables from third-party payors is as follows as of December 31:

	2021	2020
Medicare	38 %	33 %
Medicaid	26	32
Commercial	20	20
Self-pay	16	15
	<u>100 %</u>	<u>100 %</u>

Note 4. Fair Value Measurements

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value, and outlines the related disclosure requirements. The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The levels of the fair value hierarchy are as follows:

- Level I Quoted prices in active markets for identical assets or liabilities.
- Level II Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level III Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

The tables below present the balances of financial assets measured at fair value on a recurring basis as of December 31:

	2021				
	Carrying Value	Fair Value	Level I	Level II	Level III
Reported at fair value:					
Assets:					
Investments, beneficial interest in supporting organization, and assets whose use is limited:					
Cash and cash equivalents	\$ 11,873,076	\$ 11,873,076	\$ 11,873,076	\$ -	\$ -
Equity securities	1,578,180	1,578,180	1,578,180	-	-
Mutual funds	2,777,140	2,777,140	2,777,140	-	-
Fixed income securities	306,331	306,331	-	306,331	-
Other	107,920	107,920	-	107,920	-
Beneficial interest in supporting organization	40,876,177	40,876,177	31,520,850	9,355,327	-
Total	57,518,824	57,518,824	47,749,246	9,769,578	-
Beneficial interest in supporting organization alternative investment measured at NAV	2,143,076	2,143,076			
Total	59,661,900	59,661,900			
Funds held in trust by others	2,094,490	2,094,490	-	-	2,094,490
Total assets	\$ 61,756,390	\$ 61,756,390	\$ 47,749,246	\$ 9,769,578	\$ 2,094,490
Disclosed at fair value:					
Cash and cash equivalents	\$ 6,456	\$ 6,456	\$ 6,456	\$ -	\$ -
2020					
	Carrying Value	Fair Value	Level I	Level II	Level III
Reported at fair value:					
Assets:					
Investments, beneficial interest in supporting organization, and assets whose use is limited:					
Cash and cash equivalents	\$ 16,217,309	\$ 16,217,309	\$ 16,217,309	\$ -	\$ -
Equity securities	1,439,814	1,439,814	1,439,814	-	-
Mutual funds	2,473,577	2,473,577	2,473,577	-	-
Fixed income securities	247,354	247,354	-	247,354	-
Other	75,569	75,569	-	75,569	-
Beneficial interest in supporting organization	28,618,443	28,618,443	21,543,600	7,074,843	-
Total	49,072,066	49,072,066	41,674,300	7,397,766	-
Beneficial interest in supporting organization alternative investment measured at NAV	1,573,361	1,573,361			
Total	50,645,427	50,645,427			
Funds held in trust by others	2,038,020	2,038,020	-	-	2,038,020
Total assets	\$ 52,683,447	\$ 52,683,447	\$ 41,674,300	\$ 7,397,766	\$ 2,038,020
Disclosed at fair value:					
Cash and cash equivalents	\$ 111,500	\$ 111,500	\$ 111,500	\$ -	\$ -

Beneficial interest in supporting organization and assets whose use is limited are presented together in the tables above as there are various investment and cash accounts that are allocated between the beneficial interest in supporting organization and assets whose use is limited lines on the balance sheets.

NOTES TO FINANCIAL STATEMENTS

In accordance with the Maryland Department of Aging reserve requirements governing continuing care retirement communities (Note 6), the Organization maintains an operating reserve totaling 15% of the facility's net operating expenses for the most recent fiscal year. These funds have been reclassified from the beneficial interest in supporting organization and reserved in assets whose use is limited on the balance sheets.

Certain investments are combined with related organizations and are referred to as beneficial interest in supporting organization investments. For the purpose of the fair value disclosure, these funds are referred to as the Consolidated Fund. Approximately 51.17% and 41.24% of the combined investments are attributable to the Organization as of December 31, 2021 and 2020, respectively. The percentage of the investments is calculated based on a monthly allocation percentage, adjusted for necessary reallocations specific to the Organization. Investment income is also based on this allocation.

The following tables present the Organization's share of the consolidated investments that are represented as beneficial interest in supporting organization, measured at fair value on a recurring basis as of December 31:

	2021			
	Carrying Value	Fair Value	Level I	Level II
Beneficial interest in supporting organization:				
Cash and cash equivalents	\$ 1,560,582	\$ 1,560,582	\$ 1,560,582	\$ -
Equity securities:				
Consumer discretionary	5,969,252	5,969,252	5,969,252	-
Consumer staples	1,860,413	1,860,413	1,860,413	-
Energy	1,794,397	1,794,397	1,794,397	-
Financial	3,818,503	3,818,503	3,818,503	-
Health care	2,781,953	2,781,953	2,781,953	-
Industrials	1,748,031	1,748,031	1,748,031	-
Information technology	4,124,200	4,124,200	4,124,200	-
Materials	887,492	887,492	887,492	-
Real estate	1,860,255	1,860,255	1,860,255	-
Utilities	882,631	882,631	882,631	-
Other	30,273	30,273	30,273	-
Mutual funds:				
Fixed income	2,238,007	2,238,007	2,238,007	-
Equity	1,964,861	1,964,861	1,964,861	-
Fixed income securities:				
Corporate bonds	5,087,532	5,087,532	-	5,087,532
U.S. government and agency bonds	4,267,795	4,267,795	-	4,267,795
Subtotal	40,876,177	40,876,177	\$ 31,520,850	\$ 9,355,327
Alternative investment measured at NAV	2,143,076	2,143,076		
Total	\$ 43,019,253	\$ 43,019,253		

NOTES TO FINANCIAL STATEMENTS

	2020			
	Carrying Value	Fair Value	Level I	Level II
Beneficial interest in supporting organization:				
Cash and cash equivalents	\$ 1,635,014	\$ 1,635,014	\$ 1,635,014	\$ -
Equity securities:				
Consumer discretionary	4,192,671	4,192,671	4,192,671	-
Consumer staples	877,080	877,080	877,080	-
Energy	600,181	600,181	600,181	-
Financial	1,850,174	1,850,174	1,850,174	-
Health care	1,765,901	1,765,901	1,765,901	-
Industrials	1,646,799	1,646,799	1,646,799	-
Information technology	2,773,591	2,773,591	2,773,591	-
Materials	1,032,199	1,032,199	1,032,199	-
Real estate	1,132,622	1,132,622	1,132,622	-
Utilities	473,155	473,155	473,155	-
Other	33,312	33,312	33,312	-
Mutual funds:				
Fixed income	1,797,097	1,797,097	1,797,097	-
Equity	1,733,804	1,733,804	1,733,804	-
Fixed income securities:				
Corporate bonds	4,323,939	4,323,939	-	4,323,939
U.S. government and agency bonds	2,750,904	2,750,904	-	2,750,904
Subtotal	28,618,443	28,618,443	\$ 21,543,600	\$ 7,074,843
Alternative investment measured at NAV	1,573,361	1,573,361		
Total	\$ 30,191,804	\$ 30,191,804		

The Organization has no financial assets or liabilities that are recorded at fair value on a nonrecurring basis.

There were no transfers between Level I, Level II, or Level III during the years ended December 31, 2021 or 2020.

The following methods have been used by the Organization in estimating the fair value on a recurring basis of its financial instruments. There have been no changes in the methodologies used as of December 31, 2021 or 2020:

Cash and cash equivalents: Fair values, which are the amounts reported on the balance sheets, are based on multiplying number of units held by \$1 per unit.

Equity securities and mutual funds: Valued at the closing price reported in the active market on which the individual securities are traded for equity securities and fixed income mutual funds and quoted market prices in active markets.

Fixed income securities and other: Fair values of these items, which are the amounts reported on the balance sheets, are estimated using quoted prices for similar securities.

NOTES TO FINANCIAL STATEMENTS

Beneficial interest in supporting organization: Based on the fair values of the investments held in the fund at the Organization's percentage of holdings, which include the following:

Investments within the beneficial interest in supporting organization are valued at fair value based on quoted market prices in active markets for cash and cash equivalents, equity securities, mutual funds, and exchange-traded and closed-end funds, and based on quoted prices for the same or similar securities for fixed income securities.

Alternative investment is comprised of a hedge fund. The Organization measures the fair value of the alternative investment based on net asset value (NAV) as calculated on the reporting entity's measurement date. The Organization measures the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV of the Organization as of the valuation date. In using the NAV as a practical expedient, certain attributes of the investment, that may impact the fair value of the investment, are not considered in measuring fair value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date at NAV as well as any unfunded commitments. The Organization's share of the Consolidated Fund's alternative investments as of December 31, 2021 and 2020, was \$2,143,076 and \$1,573,361, respectively. The investment strategy for Ironwood Institutional Multi-Strategy Fund (Fund) is capital appreciation with limited variability of returns. The Fund invests exclusively in other private investment companies, which invests substantially all of its assets in hedge funds and other similar investment vehicles that are managed by a select group of portfolio managers who invest in a variety of financial markets and utilize a broad range of alternative investment strategies. There were no unfunded commitments as of December 31, 2021 or 2020, and there is a monthly or quarterly redemption notice of 15 - 120 days.

Funds held in trust by others: Valued based on the fair value of the trusts' underlying assets, which approximates the discounted present value of future cash flows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The change in value in Level III assets is recorded on the statements changes in net assets as an increase or decrease in net assets with donor restrictions.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments, Beneficial Interest in Supporting Organization, and Assets Whose Use is Limited

The investments, beneficial interest in supporting organization, and assets whose use is limited are presented on the balance sheets as follows as of December 31:

	2021	2020
Investments	\$ 5,110,800	\$ 4,470,791
Beneficial interest in supporting organization	\$ 38,180,514	\$ 25,772,948
Assets whose use is limited:		
Operating reserve	\$ 4,838,739	\$ 4,418,856
Resident deposits	-	5,346,561
Assets held under trust indenture (2012 bonds):		
Debt service reserve	793,674	793,593
Interest	472,299	484,208
Principal	320,846	437,173
Replacement reserves	44,738	44,788
Assets held under trust indenture (2018 bonds):		
Entrance fee fund	4,110,453	-
Debt service reserve	2,766,197	2,765,918
Interest	1,070,576	2,695,526
Construction	1,953,064	3,406,616
Cost of issuance	-	8,449
	16,370,586	20,401,688
Less current portion	(8,947,755)	(5,191,383)
Assets whose use is limited, net	\$ 7,422,831	\$ 15,210,305

Note 6. Maryland Department of Aging Reserve Requirements

In accordance with Maryland law governing continuing care retirement communities, the Organization is required to set aside operating reserves totaling 15% of the facility's net operating expenses (as defined) for the most recent fiscal year.

The calculation of the required minimum statutory operating reserve for the year ended December 31, 2021, is as follows:

Total operating expenses for fiscal year ended December 31, 2021	\$ 43,297,972
Less:	
Depreciation	(6,333,695)
Interest	(4,706,019)
Adjusted operating expenses	\$ 32,258,258
Funding requirement (15% of operating expenses)	\$ 4,838,739

The Organization has reserved this amount in assets whose use is limited to satisfy the minimum statutory operating reserve requirement. Beginning January 1, 2023, the reserve requirement will be equal to 25% of the facility's net operating expenses.

NOTES TO FINANCIAL STATEMENTS

Note 7. Property and Equipment

A summary of property and equipment and the related accumulated depreciation is as follows as of December 31:

	2021	2020
Land	\$ 3,255,295	\$ 3,255,295
Land improvements	1,089,805	278,625
Buildings and building improvements	150,242,536	80,389,856
Furniture and equipment	16,298,508	10,493,293
Construction in progress	832,163	75,067,499
	171,718,307	169,484,568
Less accumulated depreciation	(59,653,985)	(53,320,290)
	\$ 112,064,322	\$ 116,164,278

Construction in progress as of December 31, 2020, consisted of project development and construction costs for an expansion and repositioning project (Glenmere). The project was placed into service in January 2021.

Note 8. Long-Term Debt

Long-term debt consists of the following as of December 31:

	2021	2020
Series 2018A Fixed Rate Economic Development Revenue Bonds, at fixed rates of 5.75 to 6.50 percent, payable in monthly installments of interest only through February 2022, and then monthly principal and interest payments begin through November 2048 to satisfy annual debt service requirements.	\$ 17,970,000	\$ 16,120,000
Series 2018B Adjustable Rate Economic Development Revenue Bonds, at fixed rates of 5.00 to 5.66 percent, payable in monthly installments of interest only through February 2022, and then monthly principal and interest payments begin through February 2049 to satisfy annual debt service requirements. The 2018B Bonds interest rate adjusts February 2028 as defined in the debt agreements.	13,690,000	12,765,000
Series 2018C Floating Rate Economic Development Revenue Bonds, payable in monthly installments of interest only (monthly reset) with a final payment of principal due February 2029. The remaining principal balance was paid in full during 2021 with the proceeds from Glenmere entrance fees.	-	40,000,000

NOTES TO FINANCIAL STATEMENTS

	2021	2020
Series 2018D Adjustable Rate Economic Development Revenue Bonds, at fixed rates of 5.00 to 5.66 percent, payable in monthly installments of interest only through February 2022, and then monthly principal and interest payments begin through February 2049 to satisfy annual debt service requirements. The 2018D Bonds interest rate adjusts in February 2028 as defined in the debt	\$ 13,715,000	\$ 14,550,000
Series 2012A Economic Development Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through February 2042. Interest is payable at a fixed rate of 6.15 percent through maturity.	11,545,000	11,795,000
Series 2012B Economic Development Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through February 2042. Interest is payable at a fixed rate of 5.04 percent through maturity.	7,790,000	7,990,000
	64,710,000	103,220,000
Less current portion	10,395,000	450,000
Less deferred financing costs	1,869,193	2,923,186
Total long-term debt	\$ 52,445,807	\$ 99,846,814

The Series 2018 Bonds are draw down bonds to fund the construction project described in Note 7, with the total bond issuance being \$87,500,000, consisting of \$17,970,000 of Series 2018A, \$13,690,000 of Series 2018B, \$40,000,000 of Series 2018C, and \$15,840,000 of Series 2018D. An additional \$4,065,000 was drawn down from the 2018 Series Bonds in 2021.

As security for the payment of the bonds, the Organization has granted a lien and security interest in the mortgaged premises and assigned a security interest in the pledged assets to the master trustee. Pledged assets include present and future accounts receivable, contract rights, general intangibles, and the proceeds of all the foregoing. Additionally, NLI and National Lutheran Home for the Aged, Inc. entered into support agreements guaranteeing the repayment of the bonds as additional security. The support agreements will terminate upon the achievement of certain financial performance targets as defined in the agreements.

The Organization is required to comply with certain debt covenants in connection with the aforementioned long-term debt. Management believes they are in compliance with all covenants as of December 31, 2021 and 2020.

The long-term debt maturing in the next five years and thereafter is as follows as of December 31, 2021:

Years Ending December 31:	
2022	\$ 10,395,000
2023	1,095,000
2024	1,165,000
2025	1,220,000
2026	1,295,000
Thereafter	49,540,000
	\$ 64,710,000

NOTES TO FINANCIAL STATEMENTS

Interest expense on long-term debt totaled \$4,433,063 in 2021 and \$1,228,160 in 2020, net of capitalized interest of \$0 and \$1,160,978 in 2021 and 2020, respectively. During 2021, a debt modification of the 2012 A and B bonds was executed. The debt modification lowered interest rates, and modified the future amortization of the debt.

Note 9. Net Assets

Net assets presentation on the balance sheets with expanded disclosure for the amount and purpose of designations is as follows as of December 31:

	2021	2020
Net assets:		
Without donor restrictions:		
Undesignated	\$ 6,864,821	\$ 15,315,716
Maryland Department of Aging reserve requirements	4,838,739	4,418,856
	<u>11,703,560</u>	<u>19,734,572</u>
With donor restrictions:		
Purpose restricted for:		
Operations	200,614	199,176
Charitable remainder trusts	393,630	378,670
Perpetual trusts	1,703,859	1,659,350
Restricted in perpetuity	1,642,030	1,302,725
	<u>3,940,133</u>	<u>3,539,921</u>
Total net assets	\$ 15,643,693	\$ 23,274,493

For the years ended December 31, 2021 and 2020, net assets of \$14,204 and \$67,712, respectively, were released from donor restrictions for operations by incurring expenses satisfying the restricted purposes.

Earnings from net assets restricted in perpetuity are available to support charitable and benevolent care provided by the Organization.

Note 10. Related Party Transactions

NLI is the sole member of the Organization and provides support in the form of management and support services in exchange for management fees and provides additional capital support when needed. The Organization incurred management fees to NLI totaling \$2,892,600 and \$2,504,395 for the years ended December 31, 2021 and 2020, respectively.

Various entities that are part of the NLCS system make working capital advances to each other as needed. Related party transactions bear no interest and have no stated repayment terms.

The following represents net amounts due to (from) affiliated organizations as of December 31:

	2021	2020
NLI	\$ 24,331,844	\$ 20,749,578
NLHA	-	650,000
	<u>\$ 24,331,844</u>	<u>\$ 21,399,578</u>

NOTES TO FINANCIAL STATEMENTS

Note 11. Expenses by Nature and Function

The Organization's expenses for resident services (including skilled nursing, assisted living, independent living, and other resident services) and general and administrative are as follows for the years ended December 31:

	2021		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 12,867,472	\$ 744,486	\$ 13,611,958
Employee benefits and payroll taxes	3,233,833	139,084	3,372,917
Professional fees	2,577,104	582,478	3,159,582
Ancillary and medical	2,669,424	-	2,669,424
Supplies	605,960	59,211	665,171
Food services	1,181,850	8,767	1,190,617
Utilities	1,435,737	9,350	1,445,087
Depreciation	6,333,695	-	6,333,695
Interest	4,507,247	198,772	4,706,019
Insurance	190,249	-	190,249
Real estate taxes	1,052,532	-	1,052,532
Repairs and maintenance	489,491	68,708	558,199
Advertising and marketing	358,558	-	358,558
Licenses, dues, and subscriptions	237,393	447,412	684,805
Other operating expenses	163,467	131,233	294,700
Bad debt expense	111,859	-	111,859
Management fee	-	2,892,600	2,892,600
Total	\$ 38,015,871	\$ 5,282,101	\$ 43,297,972

	2020		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 12,972,009	\$ 786,157	\$ 13,758,166
Employee benefits and payroll taxes	3,522,544	144,799	3,667,343
Professional fees	1,103,298	474,787	1,578,085
Ancillary and medical	3,267,687	-	3,267,687
Supplies	596,575	81,978	678,553
Food services	880,317	19,906	900,223
Utilities	917,734	6,577	924,311
Depreciation	3,901,986	-	3,901,986
Interest	1,228,160	31,542	1,259,702
Insurance	95,950	-	95,950
Real estate taxes	274,861	-	274,861
Repairs and maintenance	504,727	60,088	564,815
Advertising and marketing	206,371	-	206,371
Licenses, dues, and subscriptions	182,513	439,366	621,879
Other operating expenses	153,263	67,232	220,495
Bad debt expense	195,907	-	195,907
Management fee	-	2,504,395	2,504,395
Total	\$ 30,003,902	\$ 4,616,827	\$ 34,620,729

NOTES TO FINANCIAL STATEMENTS

The financial statements report certain expense categories that are attributable to more than one health care or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated to the functions based on square footage basis. Fundraising expenses are incurred through NLI.

Note 12. Benevolent Care

The Organization extends charity care and other support to residents, who meet certain criteria under its benevolent care policy and are unable to pay for services, at all levels of care as needed and when appropriate without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to be benevolent care, they are not reported as resident service revenue.

The Organization maintains records to identify and monitor the level of benevolent care it provides. The estimated cost of providing benevolent care is based upon the direct and indirect costs identified with the specific benevolent care provided. The cost of benevolent care provided amounted to approximately \$469,600 and \$342,000 for the years ended December 31, 2021 and 2020, respectively. Benevolent care related to the Medicaid program amounted to approximately \$2,819,000 and \$3,275,000 for the years ended December 31, 2021 and 2020, respectively.

Note 13. Pension Plan

The Organization participates in a 403(b) defined contribution plan. The plan was amended on January 1 2020. Prior to January 1, 2020, the Organization contributed 2% of each eligible employee's salary and matched 50% of each employee's contribution up to 8% after 90 days of service for a maximum contribution of 6%. On and after January 1, 2020, the amended plan states the Organization shall make a Safe Harbor contribution in an amount equal to 100% of each employee's contribution, up to a maximum of 3% of such participant's compensation. In addition, the Organization will contribution 50% of each employee's contribution up to the next 2% of such participant's compensation for each payroll period. All participating employees' contributions are 100% vested and employer contributions are vested at 20% per year to 100% after five years. Employer contributions totaled \$309,141 and \$323,811 for the years ended December 31, 2021 and 2020, respectively, and are recorded in employee benefits and payroll taxes on the statements of operations.

Note 14. Medical Malpractice and General Liability Claims Coverage

The Organization participates in a reciprocal risk retention group (RRRG). The coverage is provided on a claims-made basis. Medical malpractice and general liability coverages were provided for the Organization in the amount of \$1,000,000 per event and \$3,000,000 per annual aggregate. Each claim has a \$50,000 self-insured retention, prior to the primary insurance coverage. The Organization also has an excess umbrella policy for general liability coverage. The excess umbrella limit is \$15,000,000 in the aggregate. The Organization funds any potential accrued claims incurred but not reported liability through the premiums paid to the RRRG. As of December 31, 2021, no such adjustments to premiums are deemed necessary.

NOTES TO FINANCIAL STATEMENTS

Note 15. Commitments and Contingencies

The health care industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local government agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayment for patient services previously billed. The Organization is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Organization, if any, are not presently determinable.

Note 16. COVID-19 Pandemic

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The response to the pandemic has severely impacted the level of economic activity around the world and has had wide ranging effects on the Organization, including lost revenue, changing workforce dynamics, decreases in patient census, increases in expenses related to supply chain and other expenses, as well as increased funding sources.

Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, which included, among other programs, the Paycheck Protection Program (PPP) and the Provider Relief Fund (PRF).

The material government funding received by the Organization, and the corresponding accounting for the funding, is outlined below.

U.S. Department of Health and Human Services (HHS) Provider Relief Fund: During the years ended December 31, 2021 and 2020, the Organization received funds through the HHS PRF program established by the CARES Act of \$127,786 and \$1,458,586, respectively, for a total of \$1,586,372 between years. Additionally, the Organization received an allocation of HHS funds from the parent, NLI, in the amount of \$215,000. According to guidance provided by the HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by the HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenue or COVID-19 expenses, the funds must be returned to the HHS.

Based on the Organization's calculation of lost revenue and COVID-19 expenses, the Organization has recognized \$402,795 and \$1,514,40 as Provider Relief Funds during the year ended December 31, 2021 and 2020, respectively. Of the amount recognized in 2021, \$115,830 is related to a one-time two percent rate supplement using American Rescue Plan funds. While the Organization has utilized all available current information in determining the proper utilization and accounting for these funds, additional guidance is expected that could have a material impact on how the Organization has recognized PRF.

Paycheck Protection Program Loan: In April 2020, the Organization obtained a loan totaling \$3,293,200 under the Paycheck Protection Program pursuant to the CARES Act. The Organization initially elected to account for the PPP loan as a liability when received.

The proceeds from the loan had to be spent on qualifying expenses such as covered payroll costs, mortgage interest on real or personal property, rental obligations on real or personal property, and covered utility costs allowed under the CARES Act. The Organization had selected the twenty-four week covered period as allowed under the CARES Act. The Organization used the loan proceeds in accordance with the terms of the PPP and applied for forgiveness from the financial institution once the proceeds were fully expended. The Organization applied for forgiveness on October 21, 2020. While the Organization was still pending approval from the Small Business Administration (SBA) as of December 31, 2020, the financial

NOTES TO FINANCIAL STATEMENTS

institution had recommended to the SBA that forgiveness be granted. The Organization had maintained adequate records and believed that all requirements under the PPP guidelines had been met to achieve loan forgiveness. As such, the total loan amount was recognized as revenue and included in Paycheck Protection Program contribution on the statement of operations for the year ended December 31, 2020. The Organization received SBA approval for loan forgiveness on July 12, 2021.

The Centers for Medicare and Medicaid Services (CMS) Accelerated/Advance Payments: In order to increase cash flow to providers of services and suppliers impacted by the COVID-19 pandemic, the CMS has expanded its current Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. The expansion of this program is only for the duration of the public health emergency. An accelerated/advance payment is a payment intended to provide necessary funds when there is a disruption in claims submissions and/or claims processing. These expedited payments can also be offered in circumstances such as national emergencies, or natural disasters, in order to accelerate cash flow to the impacted health care provider and suppliers. The CMS is authorized to provide accelerated or advance payments during the period of the public health emergency to any Medicare provider/supplier who submits a request to the appropriate Medicare Administrative Contractor (MAC) and meets the required qualifications. The Eligibility & Process includes the following areas: Eligibility, Amount of Payment, Processing Time, Repayment, and Recoupment and Reconciliation.

The Organization took advantage of this program and applied and received \$2,011,952, which is included in accounts payable as of December 31, 2020. Due to the Recoupment and Reconciliation process of this program, takebacks during the year ended December 31, 2021, amounted to \$1,209,951, leaving a remaining balance of \$802,001.

Exhibit G2 - The Village at Rockville - Operating Budgets (Current and Next Two Fiscal Years)

Projected for Year Ending December 31,

2022

2023

2024

Revenues:

Resident Revenues

Independent Living	\$ 6,544,831	\$ 7,054,901	\$ 7,266,548
Assisted Living	4,925,025	4,500,000	4,635,000
Skilled Nursing, Net of Contractual Allowances	22,113,400	23,219,070	24,031,737
Charity Allowance/Benevolent Care	(575,532)	(585,000)	(600,000)
Entrance Fee Amortization	3,635,000	3,700,000	3,700,000
Entrance Fee Amortization - Termination	350,000	350,000	350,000
Investment Income	990,000	990,000	990,000
Net assets released from restriction, operations	-		
Other Revenue	257,240	275,000	275,000
Total Revenues	\$ 38,239,964	\$ 39,503,971	\$ 40,648,285

Expenses:

Salaries and Wages Expense	\$ 15,606,798	15,659,070	\$ 16,285,433
Supplies Expense	\$ 725,986	740,506	755,316
Professional Fees & Contracted Services	\$ 2,811,948	2,613,186	2,665,450
Payroll Taxes and Employee Benefits	\$ 3,641,244	3,653,440	3,799,577
Anc Svcs & Med Sup Expense	\$ 3,124,588	3,187,080	3,250,821
Food & Supplements Expense	\$ 1,181,470	1,205,099	1,229,201
Other Operating Expense	\$ 392,370	400,217	408,222
Licenses, Dues and Subscriptions	\$ 700,997	715,017	729,317
Utilities Expense	\$ 1,772,720	1,861,356	1,898,583
Repairs & Maintenance Expense	\$ 678,220	691,784	705,620
Insurance Expense	\$ 225,193	229,697	234,291
Advertising Expense	\$ 382,050	250,000	250,000
Real Estate & Property Taxes	\$ 958,220	977,384	996,932
Management Fees	\$ 2,793,747	3,273,687	3,370,954
Bad Debt Expense	\$ 75,000	100,000	100,000
Total Operating Expenses	\$ 35,070,551	\$ 35,557,525	\$ 36,679,718

**Earnings Before Interest, Taxes,
Depreciation & Amortization:**

\$ 3,169,413 \$ 3,946,446 \$ 3,968,567

Interest, Taxes, Depreciation and Amortization:

Bond Interest Expense	\$ 1,162,518	\$ 1,136,247	\$ 1,136,247
Depreciation Expense	\$ 3,154,595	\$ 3,066,925	\$ 3,016,679
Amortization Expense	6,355,000	6,182,765	5,943,730
	199,236	200,000	200,000
Total Interest, Depreciation & Amortization	\$ 9,708,831	\$ 9,449,690	\$ 9,160,409

Contributions - Donor Restricted

\$ 345,000 \$ 345,000 \$ 345,000

Contributions - Unrestricted

\$ 100,000 \$ 100,000 \$ 100,000

Net Income (Loss)

\$ (6,094,419) \$ (5,058,244) \$ (4,746,842)

Exhibit G3 - The Village at Rockville - Cash Flow Projection (Current and Next Two Fiscal Years)

Projected for Year Ending December 31,

2022

2023

2024

Cash Flows from Operating Activities

Total change in net assets	\$	(6,094,419)	\$	(5,058,244)	\$	(4,746,842)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:						
Add back: Depreciation expense		6,355,000		6,182,765		5,943,730
Add back: Amortization expense		199,236		200,000		200,000
Less: Amortization of entry fees		(3,985,000)		(4,050,000)		(4,050,000)
Add(Less): Changes in other assets and liabilities		(1,115,000)		-		-
Add: Net entrance fee proceeds, turnover		2,259,320		4,450,000		4,750,000
Net cash provided (used) in operating activities	\$	(2,380,863)	\$	1,724,521	\$	2,096,888

Cash Flows from Investing Activities

(Purchase) sale of investments assets whose use is limited						
Purchase of property and equipment		(1,500,000)		(1,500,000)		(1,500,000)
Net cash provided (used) in investing activities	\$	(1,500,000)	\$	(1,500,000)	\$	(1,500,000)

Cash Flows from Financing Activities

Proceeds from issuance of debt						
Principal payments on long-term debt		(9,524,086)		(835,000)		(895,000)
Payment for financing costs		-		-		-
Changes in resident deposits - new units		14,812,952		-		-
Proceeds from entrance fees - new units		2,450,000				
Funds contributed by parent						
Net cash provided (used) in financing activities	\$	7,738,866	\$	(835,000)	\$	(895,000)
Net change in cash and cash equivalent: A	\$	3,858,003	\$	(610,479)	\$	(298,112)

Cash, Cash Equivalents & Restricted Cash & Cash Equivalents, Beginning

B

\$	11,738,909	\$	15,596,912	\$	14,986,433
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Cash, Cash Equivalents & Restricted Cash & Cash Equivalents, Ending

A+B=C

\$	15,596,912	\$	14,986,433	\$	14,688,320
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Beneficial Interest In Supporting Organization

D

\$	38,030,731	\$	34,401,932	\$	34,121,384
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Investments

E

\$	5,260,583	\$	8,889,381	\$	9,169,930
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Total Cash, Cash Equiv, Restr Cash/Cash Equiv, Investments, Beneficial Interest in Investments

C+D+E=F

\$	58,888,226	\$	58,277,746	\$	57,979,634
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Exhibit G (4) Operating Reserves

	12/31/2022	12/31/2023	12/31/2024
	Projected	Projected	Projected
Total Operating Expenses	44,779,382	45,007,215	45,840,127
Less:			
Depreciation	(6,355,000)	(6,182,765)	(5,943,730)
Interest	(3,154,595)	(3,066,925)	(3,016,679)
Amortization	(199,236)	(200,000)	(200,000)
Net Operating Expenses	35,070,551	35,557,525	36,679,718
Minimum Statutory Operating Reserve Requirement	15%	25%	25%
Statutory Operating Reserve Requirement	5,260,583	8,889,381	9,169,930
Cash and Cash Equivalents	-	-	-
Unrestricted Investments	5,260,583	8,889,381	9,169,930
	5,260,583	8,889,381	9,169,930
Funds Available > Statutory Op Reserve Requirement	YES	YES	YES

Conclusion: Based on estimates and projections, TVAR is anticipated to have sufficient liquidity to meet the increased statutory operating reserve requirement beginning in 2023. This principally results from the additional liquidity from net entrance fees from Glenmere remaining after the redemption of short term debt. The Village at Rockville will continue to benefit from the Support Agreement with National Lutheran Inc. (parent entity) which provides liquidity, if needed, to maintain debt compliance.

Exhibit G5 - The Village at Rockville - CARF-CCAC Median Financial Ratios			Type C
	2021 Actual	Multi Site Median	Variance to Median Comments:
Net Operating Margin Ratio	-16.50%	8.39%	2021 results incl. fill up losses related to Glenmere and reduced occupancy related to Covid-19.
Net Operating Margin Ratio - Adjusted Ratio (does not incl. entrance fees related to initial residents at Glenmere)	-16.50%	16.91%	2021 results incl. fill up losses related to Glenmere and reduced occupancy related to Covid-19.
Operating Ratio	128%	92.21%	2021 results incl. fill up losses related to Glenmere and reduced occupancy related to Covid-19.
Operating Margin Ratio	-38%	3.62%	2021 results incl. fill up losses related to Glenmere and reduced occupancy related to Covid-19.
Total Excess Margin Ratio	-35%	2.55%	2021 results incl. fill up losses related to Glenmere and reduced occupancy related to Covid-19.
Days Cash on Hand	463	351	Debt covenant requirements have been met.
Debt Service Coverage Ratio	127%	200%	Debt covenant requirements have been met.
Age of Community Ratio	9.42	12.99	Lower age of community is impacted by placing Glenmere into service in 1/2021.