



**DISCLOSURE STATEMENT-EXHIBIT K**

**THE VILLAGE AT ROCKVILLE, INC. (TVAR)  
9701 Veirs Drive  
Rockville, MD 20850**

**06/30/2025**

**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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## **DISCLOSURE STATEMENT-EXHIBIT K**

### **Provider**

**The Village at Rockville, Inc.  
A National Lutheran Community  
9701 Veirs Drive  
Rockville, Maryland 20850  
Phone: 301-424-9560**

### **Parent**

**National Lutheran Inc.  
5275 Westview Drive, Suite 110  
Frederick, MD 21703  
Phone: 301-354-2710  
Fax: 240-386-8623**

The Village at Rockville, Inc. (TVAR) is a not-for-profit corporation, 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 community 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.

The Executive Director of TVAR is Felicia Anthony.

## INDEPENDENT LIVING (IL)

### 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 IL entrance fee is the fee governing the right to occupy the unit. Pricing varies based on home style, size and entrance fee refund option selected and are subject to change.

If a resident is admitted to 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 Declining Balance Entrance Fee, 2) 50% Refundable Entrance Fee, and 3) 80% Refundable Entrance Fee.

An Administrative Fee equal to ten percent (10%) of the entrance fee is non-refundable upon occupancy for the Traditional Declining Balance Entrance Fee and 50% Refundable Entrance Fee. Please refer to the Residence and Services Agreement for additional information.

Traditional Declining Balance Entrance Fee - If the resident paid a Traditional Entrance Fee, such resident or resident's estate is entitled to a refund in the amount of the Traditional Entrance Fee paid (i) minus the administrative fee and (ii) minus one and one-half percent (1.5%) of the Traditional Entrance Fee per month for each month (or portion thereof) from the occupancy date through the sixtieth (60<sup>th</sup>) month after the occupancy date. There will be no refund of the Entrance Fee for termination by such Resident (for any reason including death) which takes place sixty-one (61) months or more (or portion thereof) after the occupancy date. All refunds hereunder are subject to any additional charges outstanding and owing to the Corporation through the effective date of termination. The refund shall be made in accordance with Section VIII.D.7 and may be subject to a deduction in accordance with Section VIII.D.9, if applicable.

50% Refundable Entrance Fee – Upon termination of the agreement for any reason, including death, after occupancy, a Fifty Percent (50%) Refundable Entrance Resident or the resident's estate is entitled to a refund amount that is the greater of either (i) fifty percent (50%) of the entrance fee or (ii) an amount equal to the entrance fee minus the 10% administrative fee and minus a sum equal to one and one-half percent (1.5%) of 90% of the entrance fee for each month (or portion thereof) between the occupancy date and the termination date, All refunds hereunder are subject to any additional charges outstanding and owing to the Corporation through the effective date of termination. The refund shall be made in accordance with Section VIII.D.7 and may be subject to a deduction in accordance with Section VIII.D.9, if applicable.

80% Refundable Entrance Fee - Upon termination of the agreement for any reason, including death, after occupancy, an Eighty Percent (80%) Refundable Entrance Fee, resident or his estate is entitled to a refund of the entrance fee subject to any additional charges outstanding and owing to the Corporation through the effective date of termination. The refund shall be made in accordance with Section VIII.D.7 and may be subject to a deduction in accordance with Section VIII.D.9, if applicable.

Please note, in 2025, the Ninety Percent (90%) Refundable Entrance Fee is available to clients who executed the Independent Living Future Resident Agreement on or before 12/31/2024. Upon termination of this Agreement for any, including death, after occupancy, a Ninety Percent (90%) Refundable

Entrance Fee Resident or Resident's estate is entitled to a refund of the Entrance Fee paid (after deducting the 10% Administrative Fee) subject to any additional charges outstanding and owing to the Corporation through the effective date of termination. The refund shall be made in accordance with Section V111.D.7 and may be subject to a deduction in accordance with Section V111.D.9, if applicable.

Cash received from entrance fees is deposited in the operating cash account and may be used by TVAR for purposes unrelated to the construction, operation, maintenance, or improvement of the community, including for the furtherance of TVAR's corporate mission, to distribute profits, or to benefit an affiliated community. All refunds are paid in accordance with the terms set forth in the Residence and Services Agreement from the same account.

The Residence and Services Agreement remains in force while the resident resides in all levels of service at TVAR. Please review the Agreement for additional information related to termination provisions.

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 Services 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 simultaneously with occupancy, whichever is earlier.

TVAR offers independent living cottage homes and apartment homes. Unit descriptions and pricing effective January 1, 2025, subject to adjustment, are as follows:

## 2025 RATES

### *Independent Living Cottage Homes*

Residence	Home Style	Sq Ft	Traditional Declining	50% Refundable	80% Refundable	Monthly Service Fee	Campus Location
Mulberry-Wescott I	2 bed, 1 bath	947	\$317,180	\$412,330	\$539,200	\$2,813	Wescott I/ East
Sycamore-Wescott I	2 bed, 1 bath	891	\$317,180	\$412,330	\$539,200	\$2,891	Wescott I/ East
Aspen-Wescott I	2 bed, 1 bath	930	\$317,180	\$412,330	\$539,200	\$2,962	Wescott I/ East
Rockport-Wescott II	2 bed, 1 1/2 bath	1,075	\$474,610	\$616,990	\$806,830	\$3,030	Wescott II/ East
Stone Haven-Westcott II	2 bed, 2 bath w/den	1,267	\$557,630	\$724,920	\$947,980	\$3,108	Wescott II/ East
Sunnydale-Wescott II	2 bed, 2 bath, sunroom	1,439	\$587,150	\$763,300	\$998,160	\$3,179	Wescott II/ East
Second Person Fee						\$1,154	

# 2025 RATES

## *Independent Living Apartment Homes*

Residence	Home Style	Sq Ft	Exterior Sq Ft	Traditional Declining Starting at	50% Refundable Starting at	80% Refundable Starting at	Monthly Service Fee
The White Oak	1 bed, 1 bath	737	60	\$350,060	\$455,080	\$595,110	\$2,246
The Carderock	1 bed, 1 bath	748	0	\$348,470	\$453,010	\$592,410	\$2,277
The Crescent I & II	1 bed, 1½ bath	821	144	\$394,090	\$512,310	\$669,950	\$2,500
The Crescent III & IV	1 bed, 1½ bath	862	60	\$408,410	\$530,930	\$694,290	\$2,625
The Grove I	1 bed, 1½ bath	888	144	\$425,380	\$552,990	\$723,150	\$2,703
The Grove II	1 bed, 1½ bath	888	0	\$413,710	\$537,830	\$703,310	\$2,703
The Seneca I	1 bed, 1½ bath	898	144	\$429,620	\$558,510	\$730,360	\$2,735
The Seneca II	1 bed, 1½ bath	898	0	\$418,490	\$544,030	\$711,430	\$2,735
The Monocacy I & II	1 bed, 1½ bath	906	60	\$429,090	\$557,820	\$729,460	\$2,760
The Meadowsides I	1 bed, 1½ bath	906	144	\$433,340	\$563,340	\$736,670	\$2,760
The Meadowsides II & III	1 bed, 1½ bath	906	60	\$429,090	\$557,820	\$729,460	\$2,760
The Sandy Spring I & II	1 bed, 1½ bath	1,005	0	\$468,340	\$608,850	\$796,180	\$3,061
The Rock Hill I & II	1 bed, 1½ bath w/den	1,010	60	\$477,360	\$620,570	\$811,510	\$3,075
The Waters I	1 bed, 1½ bath w/den	1,109	144	\$528,280	\$686,760	\$898,070	\$3,376
The Waters II	1 bed, 1½ bath w/den	1,147	60	\$541,010	\$703,310	\$919,710	\$3,492
The Henson I & II	2 bed, 2 bath	1,173	216	\$563,820	\$732,960	\$958,490	\$3,573
The Henson III, IV & V	2 bed, 2 bath	1,173	60	\$553,210	\$719,170	\$940,450	\$3,573
The Croydon	2 bed, 2 bath	1,205	116	\$568,060	\$738,480	\$965,700	\$3,670
The Lewis I	1 bed, 1½ bath w/den	1,239	168	\$588,740	\$765,370	\$1,000,870	\$3,773
The Lewis II	1 bed, 1½ bath w/den	1,239	80	\$583,970	\$759,160	\$992,750	\$3,773
Second Person Fee				\$15,000	\$20,000	\$30,000	\$1,154



# 2025 RATES

## *Independent Living Apartment Homes*

Residence	Home Style	Sq Ft	Exterior Sq Ft	Traditional Declining Starting at	50% Refundable Starting at	80% Refundable Starting at	Monthly Service Fee
The Cabin John I & II	2 bed, 2 bath	1,261	78	\$594,050	\$772,260	\$1,009,880	\$3,840
The Magnolia I	2 bed, 2 bath w/den	1,261	144	\$598,820	\$778,470	\$1,018,000	\$3,840
The Magnolia II	2 bed, 2 bath w/den	1,261	60	\$594,050	\$772,260	\$1,009,880	\$3,840
The Bennett I	1 bed, 1½ bath w/den	1,273	168	\$604,660	\$786,050	\$1,027,920	\$3,878
The Bennett II	1 bed, 1½ bath w/den	1,273	80	\$599,880	\$779,850	\$1,019,800	\$3,878
The Sugarloaf I	2 bed, 2 bath w/den	1,290	144	\$612,610	\$796,400	\$1,041,440	\$3,929
The Sugarloaf II	2 bed, 2 bath w/den	1,290	60	\$607,840	\$790,190	\$1,033,320	\$3,929
The Kingsbury	1 bed, 1½ bath w/den	1,304	63	\$614,200	\$798,470	\$1,044,140	\$3,972
The Brookside I & II	2 bed, 2 bath	1,334	98	\$628,520	\$817,080	\$1,068,490	\$4,062
The Brookside III & IV	2 bed, 2 bath	1,334	60	\$628,520	\$817,080	\$1,068,490	\$4,062
The Quince Orchard	2 bed, 2 bath	1,416	152	\$670,960	\$872,240	\$1,140,630	\$4,313
The Hickory I & II	2 bed, 2 bath w/den	1,519	96	\$714,450	\$928,780	\$1,214,560	\$4,627
The Hickory III & IV	2 bed, 2 bath w/den	1,519	60	\$714,450	\$928,780	\$1,214,560	\$4,627
The Takoma	2 bed, 2 bath w/den	1,576	60	\$740,970	\$963,260	\$1,259,650	\$4,799
The Vista	2 bed, 2 bath w/den	1,602	406	\$763,250	\$992,220	\$1,297,520	\$4,880
The Cedar	2 bed, 2 bath w/den	1,607	100	\$755,820	\$982,570	\$1,284,890	\$4,894
The Twinbrook I & II	2 bed, 2 bath w/den	1,607	60	\$755,290	\$981,870	\$1,283,990	\$4,894
The Lakeview	2 bed, 2½ bath w/den	1,736	479	\$825,830	\$1,073,580	\$1,403,920	\$5,288
The Overlook	2 bed, 2½ bath w/den	1,786	254	\$849,170	\$1,103,920	\$1,443,590	\$5,440
Second Person Fee				\$15,000	\$20,000	\$30,000	\$1,154

*Pricing is effective March 1, 2025 and is subject to change.*

*\*Entrance fee descriptions can be found on the back. Pricing may vary based on location and view.*

## The Villas at The Village at Rockville

Residence	Home Style	Sq Ft	80% Refundable	Monthly Service Fee
Lakewood	2 bed, 2.5 bath w/den	1,302	\$1,022,120*	\$3,928
Woodmont	2 bed, 2.5 bath	1,212	\$1,005,080*	\$3,703
Second Person			\$30,000	\$1,154

*\*Villa pricing may vary based on location and view.*

### 2024 Cottage to Villa Renovation Project:

Throughout the history of The Village at Rockville (TVAR), we have experienced several transitions in our service offerings to residents, from traditional nursing home (semi-private to private rooms), assisted living, memory care, independent living cottages and most recently, independent living apartments). Each of these variations impacted the residents who lived in the community at that time, but each of these decisions was made with thoughtful consideration to the future viability of TVAR. The repositioning of the cottages to Villas is no different.

TVAR strives to provide desired and suitable accommodations for its diverse resident community. It endeavors to stay abreast of changing senior community patterns. That entails taking stock of options available to those looking to transition into continuing care communities. Today's independent living seniors wish to duplicate, as much as possible, the feel of their former home when choosing the next location in their journey. In 2021, TVAR brought apartment living to its campus through construction of The Glenmere, thus giving choice of either cottage or apartment lifestyle. In 2023, after market studies, TVAR decided to take another step in its options with the construction of the Villas. Strong business and ministry operators consistently monitor industry trends to continuously improve service offerings to maintain client satisfaction and grow their business. The cottage-to-Villa repositioning will advance the mission, strengthen financial performance, and increase occupancy.

Historically, the independent living cottages consisted of three connected homes. The triplexes represent typical construction tastes from when they were built. However, the one-bedroom, one-bath models within the cottages have generated ongoing census challenges, as older adults interested in life plan communities now desire more spacious two-bedroom, two-bath models. It is imperative that those triplex cottages be renovated to reflect more spacious models offering more functional duplex floor plans to appeal to future residents. Those cottages chosen for the remodeling will be done in phases, first re-settling those whose cottage will be revamped. Choosing of the triplexes will be purposeful, first selecting empty triplexes or those with just one resident.

Reservation agreements and deposits for the Villas became available in September 2023. Phase I began in January 2024 with additional phases occurring subsequent to its completion. When the Villas are complete, the total number of units in the 9500 section of the TVAR campus will transition from 63 to 42 Villas.

IL entrance fees for The Villas are as follows:

Year	Lakewood	Woodmont	
2024	982,804	966,419	(90% Ref.)
2025	1,022,120	1,005,080	(80% Ref.)



IL entrance fees for cottages for the prior five years are as follows:

Year	Glen Oak Mulberry Sycamore						
	Cedarcrest	Willow	Aspen	Rockport	Stone Haven	Sunnydale	
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.)
2023	260,100	270,300	279,990	357,000	419,220	446,650	(Trad.)
2023	312,120	324,360	335,990	428,400	503,065	559,980	(50% Ref.)
2023	416,160	432,480	447,985	571,200	670,750	746,640	(90% Ref.)
2024	283,560	294,780	304,980	431,460	506,940	564,570	(Trad.)
2024	368,630	383,215	396,475	560,900	659,020	733,950	(50% Ref.)
2024	482,050	501,125	518,465	733,480	861,800	959,770	(90% Ref.)
2025			317,180	474,610	557,630	587,150	(Trad.)
2025			412,330	616,990	724,920	763,300	(50% Ref.)
2025			539,200	806,830	947,980	998,160	(80% Ref.)

IL entrance fees for apartments for the prior four years are as follows. Please note apartments were not available prior to 2021:

			Entrance Fees				Entrance Fees					Entrance Fees			
			Refund Options: Traditional Declining				Refund Options: 50% Refund				80% 2025	Refund Options: 90% Refund			
Apartment Types	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
The White Oak	350,060	336,600	311,796	311,796	311,796	455,080	437,580	388,200	388,200	388,200	595,110	572,220	449,323	449,323	449,323
The Carderock	348,470	335,070	310,246	310,246	310,246	455,010	435,590	387,807	387,807	387,807	592,410	569,620	449,857	449,857	449,857
The Crescent I & II	394,090	378,930	350,749	350,749	350,749	512,310	492,610	435,861	435,861	435,861	669,950	644,180	503,951	503,951	503,951
The Crescent III & IV	408,410	392,700	363,630	363,630	363,630	530,930	510,510	452,993	452,993	452,993	694,290	667,590	524,483	524,483	524,483
The Grove I	425,380	409,020	378,532	378,532	378,532	552,990	531,725	470,591	470,591	470,591	723,150	695,335	544,237	544,237	544,237
The Grove II	413,710	397,800	368,232	368,232	368,232	537,830	517,140	460,291	460,291	460,291	703,310	676,260	533,937	533,937	533,937
The Seneca I	429,620	431,100	382,679	382,679	382,679	558,510	537,030	475,773	475,773	475,773	730,360	702,270	550,250	550,250	550,250
The Seneca II	418,490	402,390	372,379	372,379	372,379	544,030	523,105	465,473	465,473	465,473	711,430	684,065	539,950	539,950	539,950
The Meadowside I	433,340	416,670	381,877	381,877	381,877	563,340	541,670	475,800	475,800	475,800	736,670	708,340	550,940	550,940	550,940
The Monocacy I & II	429,090	412,590	385,997	385,997	385,997	557,820	536,365	479,920	479,920	479,920	729,460	701,405	555,060	555,060	555,060
The Meadowside II & III	429,090	412,590	381,877	381,877	381,877	557,820	536,365	475,800	475,800	475,800	729,460	701,405	550,940	550,940	550,940
The Sandy Spring I & II	468,340	450,330	416,842	416,842	416,842	608,850	585,430	521,052	521,052	521,052	796,180	765,560	604,420	604,420	604,420
The Rock Hill I & II	477,360	459,000	424,992	424,992	424,992	620,570	596,700	529,708	529,708	529,708	811,510	780,300	613,473	613,473	613,473
The Waters I	528,280	507,960	470,175	470,175	470,175	686,760	660,350	585,144	585,144	585,144	898,070	863,530	677,120	677,120	677,120
The Waters II	541,010	520,200	481,813	481,813	481,813	703,310	676,260	600,722	600,722	600,722	919,710	884,340	695,848	695,848	695,848
The Henson I & II	563,820	542,130	501,864	501,864	501,864	732,960	704,770	623,468	623,468	623,468	958,490	921,620	720,752	720,752	720,752
The Henson III, IV & V	553,210	531,930	492,594	492,594	492,594	719,170	691,510	614,198	614,198	614,198	940,450	904,280	711,482	711,482	711,482
The Croydon	568,060	546,210	505,975	505,975	505,975	738,480	710,928	630,924	630,924	630,924	965,700	928,555	730,883	730,883	730,883
The Lewis I	588,740	566,100	524,084	524,084	524,084	765,370	735,930	652,529	652,529	652,529	1,000,870	962,370	755,286	755,286	755,286
The Lewis II	583,970	561,510	519,964	519,964	519,964	759,160	729,965	648,409	648,409	648,409	992,750	954,565	751,166	751,166	751,166
The Cabin John I & II	594,050	571,200	529,086	529,086	529,086	772,260	742,560	659,813	659,813	659,813	1,009,880	971,040	764,394	764,394	764,394
The Magnolia I	598,820	575,790	533,206	533,206	533,206	778,470	748,525	663,933	663,933	663,933	1,018,000	978,845	768,514	768,514	768,514
The Magnolia II	594,050	571,200	529,086	529,086	529,086	772,260	742,560	659,813	659,813	659,813	1,009,880	971,040	764,394	764,394	764,394
The Bennett I	604,660	581,400	538,182	538,182	538,182	786,050	755,820	670,153	670,153	670,153	1,027,920	988,380	775,729	775,729	775,729
The Bennett II	599,880	576,810	534,062	534,062	534,062	779,850	749,855	666,033	666,033	666,033	1,019,800	980,575	771,609	771,609	771,609
The Sugarloaf I	612,610	589,050	545,232	545,232	545,232	796,400	765,765	678,965	678,965	678,965	1,041,440	1,001,385	785,951	785,951	785,951
The Sugarloaf II	607,840	584,460	541,112	541,112	541,112	790,190	759,800	674,845	674,845	674,845	1,033,320	983,580	781,831	781,831	781,831
The Kingsbury	614,200	590,580	546,918	546,918	546,918	798,470	767,755	682,101	682,101	682,101	1,044,140	1,003,985	790,249	790,249	790,249
The Brookside I & II	628,520	604,350	559,358	559,358	559,358	817,080	785,655	697,652	697,652	697,652	1,068,490	1,027,395	808,287	808,287	808,287
The Brookside III & IV	628,520	604,350	559,358	559,358	559,358	817,080	785,655	697,652	697,652	697,652	1,068,490	1,027,395	808,287	808,287	808,287
The Quince Orchard	670,960	645,150	597,481	597,481	597,481	872,240	838,695	744,276	744,276	744,276	1,140,630	1,096,755	861,712	861,712	861,712
The Hickory I & II	714,450	686,970	636,072	636,072	636,072	928,780	893,060	793,546	793,546	793,546	1,214,560	1,167,850	919,524	919,524	919,524
The Hickory III & IV	714,450	686,970	636,072	636,072	636,072	928,780	893,060	793,546	793,546	793,546	1,214,560	1,167,850	919,524	919,524	919,524
The Takoma	740,970	712,470	659,709	659,709	659,709	963,260	926,210	823,092	823,092	823,092	1,259,650	1,211,200	953,798	953,798	953,798
The Vista	763,250	733,890	679,761	679,761	679,761	992,220	954,055	845,838	845,838	845,838	1,297,520	1,247,615	978,701	978,701	978,701
The Cedar	755,820	726,750	672,712	672,712	672,712	982,570	944,775	839,345	839,345	839,345	1,284,890	1,235,475	972,651	972,651	972,651
The Twinbrook I & II	755,290	726,240	672,564	672,564	672,564	981,870	944,110	839,160	839,160	839,160	1,283,990	1,234,610	972,436	972,436	972,436
The Lakeview	825,830	794,070	735,327	735,327	735,327	1,073,580	1,032,290	915,296	915,296	915,296	1,403,920	1,349,920	1,059,272	1,059,272	1,059,272
The Overlook	849,170	816,510	756,061	756,061	756,061	1,103,920	1,061,465	941,214	941,214	941,214	1,443,590	1,388,065	1,089,336	1,089,336	1,089,336

## INDEPENDENT LIVING MONTHLY SERVICE FEES:

Monthly service fees represent the IL unit's pro rata share of the overall cost of certain services, as described in the Basic Services section of this document.

The monthly service fees, effective January 1, 2025, subject to adjustment, for new residents moving into apartments or cottages are presented on the rate schedules above and include a dining plan. Effective July 1, 2023, the gas/electric utilities for all TVAR residents was rolled into the monthly service fee. IL residents who have historically paid Pepco and Washington Gas directly no longer pay this out-of-pocket expense. Residents that moved into cottages prior to January 1, 2018, are subject to different rate and amenities structures.

Monthly service fees are subject to adjustment with advance notice provided to residents. Effective July 1, 2023, the gas/electric utilities for all TVAR residents was rolled into the monthly service fee. IL residents who have historically paid Pepco and Washington Gas directly no longer pay this out-of-pocket expense.

Monthly service fees for residents that moved into cottages 1/1/2018 or later, for cottages, and include a dining plan, for the prior five years are as follows:

**Monthly service fees for residents that moved into cottages between January 1, 2012, and December 31, 2017**, for the prior five years are as follows, and do not include a dining plan. Effective July 1, 2023, the gas/electric utilities for all TVAR residents was rolled into the monthly service fee. IL residents who have historically paid Pepco and Washington Gas directly no longer pay this out-of-pocket expense.

Year	Cedarcrest	Willow	Aspen	Rockport	Stone Haven	Sunnydale	Fee
2020	\$ 943	\$ 951	\$ 958	\$ 1,080	\$ 1,141	\$ 1,186	\$ 387
2021	\$ 971	\$ 980	\$ 987	\$ 1,112	\$ 1,175	\$ 1,222	\$ 400
2022	\$ 1,010	\$ 1,019	\$ 1,026	\$ 1,156	\$ 1,222	\$ 1,271	\$ 416
2023	\$ 1,076	\$ 1,086	\$ 1,093	\$ 1,233	\$ 1,301	\$ 1,358	\$ 449
2024	\$ 1,562	\$ 1,572	\$ 1,579	\$ 1,726	N/A	\$ 1,857	\$ 620
<b>2025</b>	<b>\$ 1,903</b>	<b>\$ 1,914</b>	<b>\$ 1,921</b>	<b>\$ 2,077</b>	<b>N/A</b>	<b>\$ 2,216</b>	<b>\$ 656</b>

**Monthly service fees for residents that moved into cottages prior to January 1, 2012, for the prior five years are** as follows, and do not include a dining plan. Effective July 1, 2023, the gas/electric utilities for all TVAR residents was rolled into the monthly service fee. IL residents who have historically paid Pepco and Washington Gas directly no longer pay this out-of-pocket expense.

Year	Glen Oak Mulberry Sycamore						Sunnydale
	Cedarcrest	Willow	Aspen	Rockport	Stone Haven		
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
2023	\$ 935	\$ 944	\$ 952	\$ 1,093	\$ 1,137		\$ 1,182
2024	\$ 1,414	\$ 1,423	\$ 1,432	\$ 1,579	\$ 1,626		\$ 1,673
<b>2025</b>	<b>\$ 1,747</b>	<b>\$ 1,756</b>	<b>\$ 1,766</b>	<b>\$ 1,921</b>	<b>\$ 1,971</b>		<b>\$ 2,021</b>

At times, a rental option may be available for certain units. Rental rates do not include a meal plan. The rental rates for the prior three years are as follows:

Year	Cedarcrest	Willow	Glen Oak
2021	\$ 2,951	\$ 3,013	\$ 3,100
2022	\$ 3,069	\$ 3,134	\$ 3,224
2023	\$ 3,875	\$ 3,950	\$ 4,045
2024	\$ 4,059	\$ 4,138	\$ 4,237
<b>2025</b>	<b>\$ 4,296</b>	<b>\$ 4,380</b>	<b>\$ 4,485</b>

Effective July 1, 2023, the gas/electric utilities for all TVAR residents were rolled into the monthly service fee. IL residents who have historically paid Pepco and Washington Gas directly no longer pay this out-of-pocket expense.

Effective January 1, 2025, monthly service fees for apartments, subject to adjustment, and include a dining plan, are as follows:

Apartment Types	2025	2024	2023	2022	2021
The White Oak	2,246	2,121	2,025	1,875	1,803
The Carderock	2,277	2,151	2,054	1,902	1,829
The Crescent I & II	2,500	2,361	2,254	2,087	2,007
The Crescent III & IV	2,625	2,479	2,367	2,192	2,108
The Grove I	2,703	2,553	2,438	2,258	2,171
The Grove II	2,703	2,553	2,438	2,258	2,171
The Seneca I	2,735	2,583	2,466	2,284	2,196
The Seneca II	2,735	2,583	2,466	2,284	2,196
The Meadows I	2,760	2,607	2,489	2,305	2,216
The Monocacy I & II	2,760	2,607	2,489	2,305	2,216
The Meadows II & III	2,760	2,607	2,489	2,305	2,216
The Sandy Spring I & II	3,061	2,891	2,760	2,556	2,458
The Rock Hill I & II	3,075	2,905	2,774	2,569	2,470
The Waters I	3,376	3,189	3,045	2,820	2,712
The Waters II	3,492	3,299	3,150	2,917	2,805
The Henson I & II	3,573	3,375	3,222	2,984	2,869
The Henson III, IV & V	3,573	3,375	3,222	2,984	2,869
The Croydon	3,670	3,467	3,310	3,065	2,947
The Lewis I	3,773	3,564	3,403	3,151	3,030
The Lewis II	3,773	3,564	3,403	3,151	3,030
The Cabin John I & II	3,840	3,627	3,463	3,207	3,084
The Magnolia I	3,840	3,627	3,463	3,207	3,084
The Magnolia II	3,840	3,627	3,463	3,207	3,084
The Bennett I	3,878	3,663	3,497	3,238	3,113
The Bennett II	3,878	3,663	3,497	3,238	3,113
The Sugarloaf I	3,929	3,711	3,543	3,281	3,155
The Sugarloaf II	3,929	3,711	3,543	3,281	3,155
The Kingsbury	3,972	3,752	3,582	3,317	3,189
The Brookside I & II	4,062	3,837	3,663	3,392	3,262
The Brookside III & IV	4,062	3,837	3,663	3,392	3,262
The Quince Orchard	4,313	4,074	3,890	3,602	3,463
The Hickory I & II	4,627	4,371	4,173	3,864	3,715
The Hickory III & IV	4,627	4,371	4,173	3,864	3,715
The Takoma	4,799	4,533	4,329	4,008	3,854
The Vista	4,880	4,610	4,401	4,075	3,918
The Cedar	4,894	4,623	4,414	4,087	3,930
The Twinbrook I & II	4,894	4,623	4,414	4,087	3,930
The Lakeview	5,288	4,995	4,769	4,416	4,246
The Overlook	5,440	5,139	4,906	4,543	4,368
Second Occupant Rate	1,154	1,090	1,041	964	927

IL monthly fees for The Villas are as follows. Effective July 1, 2023, the gas/electric utilities for all TVAR residents were rolled into the monthly service fee. IL residents who have historically paid Pepco and Washington Gas directly no longer have to pay this out-of-pocket expense.

Year	Lakewood	Woodmont	Second Occupant Fee
2023	3,500	3,300	1,041
2024	3,710	3,498	1,090
2025	3,928	3,703	1,154

## ASSISTED LIVING (AL)

### ASSISTED LIVING ENTRANCE FEES:

Assisted living 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 that has not paid an entrance fee in IL 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 FEES:

The assisted living monthly fees are determined by the 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. Within the approved regulated three levels of care, TVAR offers a fee structure as listed below. The assisted living monthly fees for the prior five years are as follows:

<b>Level 1</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>	
2020	6,661 - 7,158	6,910 - 7,405	8,025 - 8,522	
2021	7,064	7,364	8,364	
2022	7,361	7,673	8,713	
2023	7,950	8,287	9,410	
2024	8,507	8,867	10,069	
2025	9,017	9,399	10,673	
	3,412	3,412	3,412	Second Occupant
<b>Level 2</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>	
2020	7,158 - 7,903	7,405 - 8,394	8,522 - 9,510	
2021	7,386	7,686	8,686	
2022	7,699	8,011	9,051	
2023	8,315	8,652	9,775	
2024	8,897	9,258	10,069	
2025	9,431	9,813	11,087	
	3,826	3,826	3,826	Second Occupant
<b>Level 3</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>	
2020	7,903 - 8,642	8,394 - 9,630	9,510 - 10,743	
2021	7,779	8,079	9,079	
2022	8,112	8,424	9,464	
2023	8,761	9,098	10,221	
2024	9,374	9,735	10,936	
2025	9,936	10,319	11,592	
	4,331	4,331	4,331	Second Occupant
<b>Level 4</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>	
2021	8,285	8,558	9,558	
2022	8,615	8,927	9,967	
2023	9,304	9,641	10,764	
2024	9,955	10,316	11,517	
2025	10,552	10,935	12,208	
	4,947	4,947	4,947	Second Occupant



<b>Level 5</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>	
2021	8,843	9,143	10,143	
2022	9,229	9,541	10,581	
2023	9,967	10,304	11,427	
2024	10,665	11,025	12,227	
2025	11,305	11,687	12,961	
	5,700	5,700	5,700	Second Occupant

<b>Level 6</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>	
2021	9,557	9,857	10,857	
2022	9,979	10,291	11,331	
2023	10,777	11,114	12,237	
2024	11,531	11,892	13,094	
2025	12,223	12,606	13,880	
	6,618	6,618	6,618	Second Occupant

### **ASSISTED LIVING MEMORY SUPPORT MONTHLY FEES:**

The AL Memory Support monthly fees are dependent 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. Within the approved regulated three levels of care, TVAR offers a fee structure as listed below. Every resident also pays a \$2,500 non-refundable community fee upon admission. The assisted living memory care monthly fees for the prior five years are as follows:

<b>Level 1</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>
2020	7,251	7,513	8,707
2021	7,447	7,747	8,747
2022	7,761	8,073	9,113
2023	8,382	8,719	9,842
2024	8,969	9,329	10,531
2025	9,507	9,899	11,163

<b>Level 2</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>
2020	7,921	8,301	9,465
2021	7,809	8,109	9,109
2022	8,142	8,454	9,464
2023	8,793	9,130	10,254
2024	9,409	9,769	10,972
2025	9,974	10,355	11,630

<b>Level 3</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>
2020	8,707	9,465	10,629
2021	8,251	8,551	9,551
2022	8,606	8,918	9,958
2023	9,294	9,631	10,755
2024	9,945	10,305	11,508
2025	10,542	10,923	12,198

<b>Level 4</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>
2021	8,791	9,091	10,091
2022	9,172	9,484	10,524
2023	9,906	10,243	11,366

2024	10,599	10,960	12,162
2025	11,235	11,618	12,892
<b>Level 5</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>
2021	9,449	9,749	10,749
2022	9,863	10,175	11,215
2023	10,652	10,989	12,112
2024	11,398	11,758	12,960
2025	12,082	12,463	13,738
<b>Level 6</b>	<b>Studio</b>	<b>Studio Deluxe</b>	<b>One Bedroom</b>
2021	10,251	10,551	11,551
2022	10,706	11,018	12,058
2023	11,562	11,899	13,023
2024	12,371	12,732	13,935
2025	13,113	13,496	14,771

## **RESIDENT 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 IL residents to create 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.

## **INTERNAL GRIEVANCE PROCEDURE:**

TVAR has established a grievance process, along with a Grievance Policy, to address resident grievances. The grievance procedure is as follows:

The Corporation encourages Residents to express their grievances and to suggest remedies or improvements in policies and services.

The Corporation has established an internal grievance procedure to address resident grievances. A resident or a group of residents collectively may submit a grievance in writing to the Corporation's Executive Director. The Executive Director will send a written acknowledgment to the resident or group of residents within five days after receipt of the written grievance. The Executive Director will assign personnel to investigate the grievance. A resident or group of residents who file a written grievance is entitled to a meeting with management of the Corporation within 30 days after receipt of the written grievance, in order to present the grievance. The

Corporation 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 the conclusion of an internal grievance procedure established herein, a resident, group of residents or the Corporation may seek mediation through one of the community mediation centers in the State or another mediation provider. If a resident, group of residents or the Corporation seeks mediation under the preceding sentence, the mediation shall be nonbinding.

The formal policy and Grievance Form for SNF and AL can be found in Appendix A.

## 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 in the community:

Chair	Mr. Roger Myers, Retired
Vice Chair	TBD
Treasurer/Secretary	Dr. James Balow, Resident Board Member - Retired
President and CEO, NLCS	Ms. Cyndi A. Walters, NLCS
Trustee	Ms. Janet Meyer, BCT Design Group
Trustee	Ms. Heather Burton, SGAH Director of Surgical Services
Trustee	Mr. Derek Solberg, Pastor

At each annual meeting, the Board of Trustees elects new trustees to hold office until their respective terms expire and until their successor are elected and qualify. The Board of Trustees seek the most qualified candidate willing to serve as Trustees, provided that the Board of Trustees is encouraged, but not required, to elect Trustees who are members of the Lutheran congregations, and accordingly shall give preference to and endeavor to select, when available, qualified candidates who are also members of Lutheran congregations.

The Board of Trustees of National Lutheran, Inc. appoints the joint governance committee to identify and nominate Trustee candidates for approval by the full Board of Trustees. Annually, the joint governance committee nominates a slate of trustee candidates for The Village at Rockville's Board of Trustees approval and recommendation to the National Lutheran, Inc. Board of Trustees.

A subscriber of The Village at Rockville serves as a full voting member of The Village at Rockville Board of Trustees. The subscriber is selected and recommended by three individuals: the Executive Director, the outgoing subscriber Board of Trustees member, and the Residents' Association President who confers with the resident association membership for qualified candidates. Like the process for appointing non-subscriber members of the Board of Trustees, the candidate is presented to the board governance committee for approval before presenting to The Village at Rockville Board of Trustees for approval and recommendation to the National Lutheran, Inc. Board of Trustees as the subscriber member of The Village at Rockville Board of Trustees.

No Board of Trustees member receives monetary compensation for their tenure.

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. Subscriber meetings will be held at least quarterly. 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 meetings. The meetings 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 community member is selected and recommended by three individuals: the Executive Director, the outgoing community board member, and the Residents' Association President. The candidate is presented to the board governance committee for approval before presenting to the community board for final ratification as the community representative. No Board member receives monetary compensation for their tenure.

To our knowledge, no member of the Board of Trustees has been implicated in any of the following violations:

- a. Been convicted of, or pleaded nolo contendere to, a felony charge involving fraud, embezzlement, fraudulent conversion, or misappropriation of property
- b. Been held liable, or enjoined by a final judgment, in a civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation as a fiduciary
- c. Been subject to an effective injunctive or restrictive order of a court of record arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons
- d. Had any state or federal license or permit suspended or revoked within the past 10 years, as a result of an action brought by a governmental agency arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons

## INVESTMENT ACTIVITIES:

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

## OPERATING RESERVES:

TVAR is in compliance with the operating reserve requirements under Section 10-420(b) of the Human Services Article of the Annotated Code of Maryland as of December 31, 2022. 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 2023 through 2025, including the increased requirements in 2023 from 15% to 25%:

	Budget 2025	Projected 2026	Projected 2027
Total Operating Expenses for the Year Ended 12/31/20XX	47,226,164	48,782,780	50,433,622
Less: Depreciation and Amortization Expense	(6,568,500)	(6,668,500)	(6,768,500)
Less: Interest Expense	(2,757,797)	(2,701,082)	(2,641,232)
	37,899,867	39,413,198	41,023,890
% Reserve Requirement	25%	25%	25%
Calculated Reserve Requirement at 1/1/20XX	9,474,967	9,853,300	10,255,973
Assets Whose Use is Limited at 12/31/20XX	9,474,967	9,853,300	10,255,973
Beneficial Interest in Supporting Organization at 12/31/20XX	14,504,621	14,126,289	13,723,616
	23,979,588	23,979,588	23,979,588

Note: The Village at Rockville maintains a support agreement with National Lutheran Inc. and National Lutheran Home for the Aged, Inc. (NLHA). NLHA holds the investments that are providing the beneficial interest to The Village at Rockville.

Conclusion: Based on estimates and projections, TVAR is anticipated to have sufficient liquidity to meet the increased statutory operating reserve requirements. 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:**

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

Renewal and Replacement of Buildings and Facilities: TVAR typically 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 fees, as supplemented from time to time from funds advanced to TVAR by National Lutheran Inc. or proceeds from borrowings. A capital needs assessment 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 (additions, renovations, and replacement of facilities) are typically financed on a project specific basis through the issuance of tax-exempt revenue bonds.

## **IL COMMUNITY BASIC SERVICES:**

The following amenities and services are included in the Monthly Service Fee pursuant to the terms of our current Residence and Services Agreement:

- Parking at least one assigned parking space
- Right to use common areas
- Landscaped grounds
- Storage in residence
- A flexible spending dining program
- Housekeeping – light services every other week (includes vacuuming, dusting, cleaning, of bathroom(s) and kitchen, and trash removal in residence (on housekeeping day)
- Interior maintenance to include repair and/or replacement of all systems included in the residence, such as heating and air conditioning equipment, appliances, plumbing, and electrical systems, roof, etc.
- Exterior maintenance to include leaf removal, snow removal, (not to include personal vehicles), landscaping and mowing
- Utilities – standard municipal services (heating, air conditioning, electricity, natural gas, water, sewer, telephone jack installation upon request, local calls, and basic comcast television services). Replace with: The Corporation will furnish heating, air conditioning, electricity, natural gas, water, sewer, basic television services, telephone jack installation, local calls and standard municipal services. Resident is responsible for any charges related to long-distance telephone calls, internet, and premium cable services. If resident desires to install a satellite dish, such installation, and placement, must first be approved by the Corporation.
- Regularly scheduled local transportation for trips and shopping
- Use of the Engage Center including the Aquatics Center, Fitness Studio, Creative Arts Studio, classroom, woodworking shop and much more
- Social, recreational, educational, spiritual, and cultural events, including access to lifelong learning opportunities
- Situational awareness response assistant (SARA) wellness monitoring system
- Emergency call support
- Security

- Priority access to AL and SNF
- Smoke and carbon monoxide detectors
- No additional health care services are included in the IL entrance fee or IL monthly service fee

#### **IL SERVICES WITH ADDITIONAL FEES:**

- More frequent housekeeping services and other services such as windows, and steam cleaning carpets
- Utilities - wireless internet and premium cable services
- Personal transportation to private appointments, airport, etc.
- Onsite therapy services (may be billed to Medicare Part B or other participating insurance)
- Salon services
- In home personal services (cooking, medication reminders, companions, etc.)

#### **HEALTH-RELATED BASIC SERVICES/SNF:**

- Room and board
- Housekeeping services
- Medication administration
- Preventative skin care
- Assistance with bathing, toileting, feeding, dressing, and mobility
- Recreational and social programs
- Incontinence care, hand feeding, tube-feeding, special diet, catheter care, colostomy care, decubitus care, IV therapy, laundry, oxygen therapy, and suctioning

#### **HEALTH-RELATED ADDITIONAL SERVICES WITH FEE/SNF:**

- Private Duty Nursing/Geriatric Aides
- Beauty and barber
- Laboratory services
- Pharmacy
- Radiology
- Durable medical equipment (May be approved and/or provided under Medicare or insurance)
- Audiology services
- Dental services
- Occupational, physical, and speech therapy services (unless part of a specialized rehabilitative therapy service program meeting certain regulatory requirements)

\*Please note, any IL resident transitioning into the Health Center's SNF population will also pay the applicable fees for health-related services not included in the daily room and board rates in alignment with current SNF residents.

#### **SKILLED NURSING FACILITY FEES:**

If a resident is admitted to 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. All residents of SNF, whether originally from IL, AL, or directly from outside TVAR, pay this rate. Daily room and board rates for the last five years are as follows:



2020	\$422 per day
2021	\$436 per day
2022	\$458 per day
2023	\$495 per day
2024	\$523 per day
2025	\$562 per day

Certain ancillary services and supplies are not included in the daily room & board rate.

**Additional Financial Documents Included/Uploaded:**

- **G.1: Certified Financial Statement**
- **G.3: Cash Flow Projection – Current and next Two Fiscal years.**

**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.**

## **Appendix A: Grievance Policy and Complaint Form**

# **Appendix A for Skilled Nursing and Assisted Living Grievance Policy – Resident Rights Policy**

## **Policy Statement**

Our community shall support each resident's right to voice grievances, including those with respect to care and treatment which has been furnished or has not been furnished (e.g., those about treatment, care, management of funds, lost clothing, or violation of rights), without fear of or actual discrimination or reprisal. After receiving a grievance, the Community shall seek a prompt resolution, and notify the resident timely of the resolution and associated findings.

Our community shall assure that the resident is familiar with their grievance process and shall provide a copy of the Grievance Policy to the resident or resident representative upon request.

Every resident has the right to voice grievances to us or other agency or entity that hears grievances without discrimination or reprisal, and without fear of discrimination or reprisal, including those with respect to care and treatment which has been furnished or has not been furnished, the behavior of staff and other residents, and other concerns regarding their long-term care facility stay.

A grievance shall be defined as a written or verbal complaint (when the verbal complaint about resident care is not resolved at the time of the complaint by staff present) by a resident, or the resident's representative, regarding the care and services, abuse or neglect, issues related to the Community's compliance with the CMS Requirements of Participation, or a billing complaint. All written complaints, regardless of method of communication, shall be considered a grievance. Verbal complaints that are unresolved at the time of the complaint or require further action shall be considered a grievance.

Our community shall designate an individual as the Grievance Official, who shall have the responsibility for oversight of the grievance process, receiving and tracking grievances through to their conclusion, leading any necessary investigations by the facility, maintaining the confidentiality of all information associated with grievances, issuing written grievance decisions to the resident, and coordinating with state and federal agencies as necessary.

Our community or any staff members shall not prevent or discourage a resident from communicating with Federal, State, or local officials, including but not limited to Federal and State surveyors, other Federal or State health department employees, including representatives of the Office of the State Long-Term Care Ombudsman and of the protection and advocacy system.

Our community shall communicate to each resident the process for filing a complaint or grievance, orally or in writing, and anonymously through postings in a prominent location.

Our community shall make prompt efforts to ensure the resolution of all grievances. Our community shall respond to grievances from resident or family groups; however, our community (TVAR) is not obligated to implement or adopt requested recommendations.

The resident shall be informed of their right to receive a written response to their grievance, and the contact information of independent entities with whom grievances may be filed.

## **Policy Interpretation and Implementation**

1. Our community has appointed the following individual as the Grievance Official:

Social Services Manager

[socialservices@thevillageatrockville.org](mailto:socialservices@thevillageatrockville.org)

2. Grievances may be communicated to any staff member, verbally or in writing. Resident and/or resident representative may utilize the designated Grievance Form, however, use of the form is not required. Grievances may be communicated anonymously. Verbal concerns that are resolved at the time of the concern by a present staff member shall not be considered a grievance.
3. Grievances shall be communicated to the Grievance Official at time of the complaint or on the next business day.
4. Staff members shall immediately report allegations of neglect, abuse (including injuries of unknown source), and/or misappropriation of resident property, by anyone furnishing services on behalf of the facility, to the administrator of the facility and as required by state law, consistent with the Abuse Prevention and Investigation Policy.
5. Residents shall be protected from further violations of resident rights during an investigation.
6. Efforts to resolve a grievance, including initiation of investigative process, shall begin as soon as practical, but within 72 hours.
7. Unless otherwise communicated to the resident, the expected time frame for completion of a grievance review is five business day(s)
8. Written grievance decisions shall include: a date the written decision was issued, the date the grievance was received, a summary statement of the resident's grievance, the steps taken to investigate the grievance, a summary of the pertinent findings or conclusions regarding the resident's concerns, a statement as to whether the grievance was confirmed or not confirmed and any corrective action taken or to be taken by the facility as a result of the grievance
9. Upon conclusion of the investigation, the resident or resident representative shall be informed of the findings and notified of their right to obtain a copy of the written decision upon request.
10. Should the grievance investigation, or any outside entity having jurisdiction over the Community, confirm a violation of resident rights, appropriate corrective action, including any associated regulatory reporting, shall be taken.
11. The Community shall maintain evidence demonstrating the resolution of complaints and grievances for at least 3 years.
12. Information associated with the Grievance Policy and Grievance Official shall be posted publicly in a form and manner accessible and understandable to residents and resident representatives.
13. Residents have the right to file a grievance with any independent entity with whom grievances may be filed, to include, but not limited to:

a) QIO - Livanta LLC

BFCC-Quality Improvement Organization  
10820 Guilford Road, Suite 202  
Annapolis Junction, MD 20701-1105  
[\(888\) 396 - 4646](tel:(888)396-4646)  
[\(888\) 985 - 2660 - TTY](tel:(888)985-2660)

a) The Department of Aging (for persons 65 years old or older)

301 West Preston Street

Baltimore, MD 21201  
Telephone: (410) 767-1100  
(410) 767-1083 (for the hearing impaired)

b) For TVAR - Montgomery County Long Term Care Ombudsman - Department of Health and Human Services

3950 Ferrara Drive, 2nd floor  
Silver Spring, MD 20906  
Telephone: (240) 777-3369  
(240) 777-1495 (fax)  
E-MAIL: [HHSLTCOmbudsman@montgomerycountymd.gov](mailto:HHSLTCOmbudsman@montgomerycountymd.gov)

c) State Survey Agency: The Office of Health Care Quality, regardless of your age Spring Grove Center, Bland Bryant Building

7120 Samuel Morse Dr, Second Floor  
Columbia, MD 21046  
Telephone: (410) 402-8110 or (1-877) 402-8219  
(410) 735-2258 (for the hearing impaired)  
(410) 402-8234  
(fax) [www.dhmf.maryland.gov/ohcq](http://www.dhmf.maryland.gov/ohcq)

d) Montgomery County: Licensure and Regulatory Services Department of Health and Human Services

255 Rockville Pike, 2nd Floor  
Rockville, MD 20850  
Telephone: (240) 777-3986  
(240) 777-3088

e) Montgomery County Adult Protective Services Department of Social Services

401 Hungerford Drive, 5th Floor  
Rockville, MD 20850  
Telephone: (240) 777-4513  
(800) 917-7383 (1-800-91 PREVENT)

14. If the concern remains unresolved, the resident should present it in writing to the Executive Director to be addressed at the next weekly meeting of Department Heads. If the resident has difficulty putting his/her concern in writing, a staff member will be designated to offer assistance.

## The Village at Rockville Resident/Guest Concern/Complaint Form

Instructions: Residents, their representatives, family members, or advocates may file a grievance or complaint with the Administrator without fear of threat or reprisal of any form. Please complete, date, and sign this report and submit it to the Social Services Director, Administrator or his/her designee. You will be provided with a report of the facility's findings as outlined in our facility's policies and procedures. You may choose to remain anonymous. A condensed version of the grievance policy may be found on the back of this form.

Name of resident: \_\_\_\_\_ Room #: \_\_\_\_\_ Today's Date: \_\_\_\_\_

Name of person filing the grievance/complaint: \_\_\_\_\_

☐ Representative ☐ Family ☐ Visitor ☐ Advocate ☐ Resident/Guest ☐ Anonymous

Date the incident occurred: \_\_\_\_\_ Time: \_\_\_\_\_

**Describe the nature of the concern/complaint (be specific). Use additional paper as needed:**

**If other persons involved, please name them:**

Name	Employee	Resident	Visitor
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**If there were witnesses, please name them:**

Name	Employee	Resident	Visitor
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**What actions/recommendations do you feel need to be taken?**

\_\_\_\_\_

Date

\_\_\_\_\_

Signature of person filing concern – leave blank if anonymous



## **Financial Statements**

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## **G1: Certified Financial Statement**

Note: The Following pages 31 - 55 entail the audited Financial Statement

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# **The Village at Rockville, Inc.**

Financial Statements

December 31, 2024 and 2023

# **The Village at Rockville, Inc.**

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December 31, 2024 and 2023

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## **Independent Auditors' Report**

To the Board of Trustees of  
The Village at Rockville, Inc.

### **Opinion**

We have audited the financial statements of The Village at Rockville, Inc. (TVAR), which comprise the balance sheets as of December 31, 2024 and 2023, 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 TVAR as of December 31, 2024 and 2023, 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 Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of TVAR 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.

### **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 TVAR's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



## **Auditors' Responsibilities for the Audits of the Financial Statements**

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 auditors' 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 audits.
- 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 audits 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 TVAR'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 TVAR'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 30, 2025

# The Village at Rockville, Inc.

Balance Sheets

December 31, 2024 and 2023

Assets		2024		2023		Liabilities and Net Assets		2024		2023	
Current Assets						Current Liabilities					
Cash and cash equivalents		\$	18	\$	1,853	Accounts payable, trade		\$	240,056	\$	49,536
Accounts receivable, net			2,109,199		1,859,352	Accrued interest			1,167,010		1,188,332
Prepaid expenses and other assets			511,436		449,807	Accrued expenses			4,403,278		3,839,293
Current portion of pledges receivable			-		5,000	Current portion of long-term debt			935,000		895,000
Current portion of assets whose use is limited			2,102,010		2,083,332						
Total current assets			4,722,663		4,399,344	Total current liabilities			6,745,344		5,972,161
Assets Whose Use is Limited, Net			12,092,502		11,992,608	Deferred Revenue From Entrance Fees			28,754,162		30,344,231
Investments			6,570,950		5,574,208	Refundable Entrance Fees			54,954,926		51,207,414
Beneficial Interest in Supporting Organization			15,893,650		18,378,369	Resident Deposits			1,286,149		642,504
Property and Equipment, Net			103,304,274		103,469,538	Long-Term Debt, Net			46,577,575		47,449,079
Funds Held in Trust by Others			1,624,981		2,305,729	Due to Affiliates, Net			-		6,100,111
Pledges Receivable, Net			85,087		15,000	Annuities Payable, Net			77,277		61,903
Total assets			\$ 144,294,107		\$ 146,134,796	Total liabilities			138,395,433		141,777,403
						Net Assets (Deficit)			173,174		(885,003)
						Without donor restrictions			5,725,500		5,242,396
						With donor restrictions					
						Total net assets			5,898,674		4,357,393
						Total liabilities and net assets			\$ 144,294,107		\$ 146,134,796

**The Village at Rockville, Inc.**

## Statements of Operations

Years Ended December 31, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue:		
Net resident service revenue, including amortization of entrance fees 2024 \$4,663,135; 2023 \$4,341,330	\$ 41,898,713	\$ 36,423,664
Net assets released from restrictions, operations	183,806	328,026
Credit loss expense		
Total operating revenue	42,082,519	36,751,690
Operating expenses:		
Salaries and wages	16,192,102	14,066,852
Employee benefits and payroll taxes	2,964,717	2,855,332
Professional fees	3,813,189	3,111,911
Ancillary and medical	2,830,458	2,426,619
Supplies	536,117	734,836
Food services	1,469,693	1,253,227
Utilities	1,863,696	1,957,910
Depreciation	6,209,277	6,257,563
Interest	2,876,702	3,287,893
Insurance	355,159	250,162
Real estate taxes	518,643	942,043
Repairs and maintenance	700,019	531,977
Advertising and marketing	239,723	239,192
Licenses, dues and subscriptions	665,514	606,461
Other operating expenses	510,973	495,535
Credit loss expense	190,130	216,525
Management fees	2,841,790	2,655,168
Total operating expenses	44,777,902	41,889,206
Deficiency of operating revenue over expenses	(2,695,383)	(5,137,516)
Nonoperating revenue:		
Contributions	322,431	869,707
Interest and dividends	1,184,012	1,570,820
Other income	111,006	116,485
Realized gains	857,171	1,015,832
Unrealized gains	1,278,940	1,508,424
Total nonoperating revenue	3,753,560	5,081,268
Excess (deficiency) of operating and nonoperating revenue over expenses	1,058,177	(56,248)
Other changes:		
Unrealized gains	-	62,179
Change in net assets without donor restrictions	\$ 1,058,177	\$ 5,931

See notes to financial statements

**The Village at Rockville, Inc.**

## Statements of Changes in Net Assets

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Excess (deficiency) of operating and nonoperating revenue over expenses	\$ 1,058,177	\$ (56,248)
Unrealized gains	<u>-</u>	<u>62,179</u>
Credit loss expense		
Change in net assets without donor restrictions	<u>1,058,177</u>	<u>5,931</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	682,865	1,051,954
Funds held in trust income	13,820	13,432
Change in value of funds held in trust by others	(29,775)	159,437
Net assets released from restriction, operations	<u>(183,806)</u>	<u>(328,026)</u>
Change in net assets with donor restrictions	<u>483,104</u>	<u>896,797</u>
Change in net assets	1,541,281	902,728
<b>Net Assets, Beginning</b>	<u>4,357,393</u>	<u>3,454,665</u>
<b>Net Assets, Ending</b>	<u><u>\$ 5,898,674</u></u>	<u><u>\$ 4,357,393</u></u>

See notes to financial statements

**The Village at Rockville, Inc.**

## Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,541,281	\$ 902,728
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,209,277	6,257,563
Credit loss expense	190,130	216,525
Amortization of deferred financing costs	63,496	63,497
Amortization of entrance fees	(4,663,135)	(4,341,330)
Proceeds from nonrefundable entrance fees	3,073,066	2,439,728
Realized gains	(857,171)	(1,015,832)
Unrealized gains	(1,278,940)	(1,570,603)
Change in value of funds held in trust by others	29,775	(159,437)
Change in annuities payable	15,374	(1,234)
Changes in assets and liabilities:		
Accounts receivable	(439,977)	930,538
Prepaid expenses and other assets	(61,629)	(5,318)
Accounts payable, trade and accrued expenses	733,183	311,804
Net cash provided by operating activities	<u>4,554,730</u>	<u>4,028,629</u>
<b>Cash Flows From Investing Activities</b>		
Net purchases of investments and assets whose use is limited	(877,037)	(897,408)
Purchases of property and equipment	<u>(6,044,013)</u>	<u>(1,952,526)</u>
Net cash used in investing activities	<u>(6,921,050)</u>	<u>(2,849,934)</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(895,000)	(835,000)
Net change in resident deposits	643,645	193,737
Proceeds from refundable entrance fees, turnover units	7,621,747	4,442,106
Refunds of entrance fees	(3,874,235)	(2,028,590)
Change in pledges receivable, net	(65,087)	(20,000)
Change in due to affiliates, net	<u>(859,579)</u>	<u>(3,387,205)</u>
Net cash provided by (used in) financing activities	<u>2,571,491</u>	<u>(1,634,952)</u>
Net change in cash and cash equivalents and restricted cash	205,171	(456,257)
<b>Cash and Cash Equivalents and Restricted Cash, Beginning</b>	<u>5,903,421</u>	<u>6,359,678</u>
<b>Cash and Cash Equivalents and Restricted Cash, Ending</b>	<u><u>\$ 6,108,592</u></u>	<u><u>\$ 5,903,421</u></u>

See notes to financial statements

## The Village at Rockville, Inc.

### Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash and Cash Equivalents and Restricted Cash Include</b>		
Cash and cash equivalents	\$ 18	\$ 1,853
Assets held under trust indenture	<u>6,108,574</u>	<u>5,901,568</u>
	<u>\$ 6,108,592</u>	<u>\$ 5,903,421</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 2,834,528</u>	<u>\$ 3,244,296</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Change in beneficial interest in supporting organization through due to affiliates	<u>\$ (5,240,532)</u>	<u>\$ (12,200,000)</u>

See notes to financial statements

# **The Village at Rockville, Inc.**

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Notes to Financial Statements

December 31, 2024 and 2023

## **1. Nature of Organization and Summary of Significant Accounting Policies**

### **Nature of Organization**

The Village at Rockville, Inc. (TVAR) 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. TVAR operates a retirement community in Rockville, Maryland, which includes approximately 240 independent living units, 50 assisted living units and 160 skilled nursing beds.

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

### **Basis of Accounting**

The financial statements of TVAR 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**

TVAR 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.

### **Accounts Receivable**

Accounts receivable are reported net of an allowance for credit losses, which represents TVAR's estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the TVAR's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts and expected future economic conditions and market trends. Adjustments are made to the allowance as necessary. The allowance for credit losses was \$240,825 and \$243,343 as of December 31, 2024 and 2023, respectively.

## The Village at Rockville, Inc.

Notes to Financial Statements  
December 31, 2024 and 2023

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### Contract Balances

Contract assets represent TVAR's right to consideration in exchange for goods or services that TVAR has transferred to a patient when that right is conditioned on something other than the passage of time (for example, TVAR's future performance). Contract liabilities represent the Organization's obligation to transfer goods or services to a resident for which the Organization has received consideration (or the amount is due) from the patient.

TVAR's beginning and ending contract assets and liabilities are separately presented on the balance sheets as of December 31, 2024 and 2023. Contract assets and liabilities as of December 31, 2022 are as follows:

Contract asset:	
Patient accounts receivable	\$ 3,006,415
Contract liability:	
Deferred revenue from entrance fees	(48,195,439)

### Beneficial Interest in Supporting Organization

TVAR maintains a support agreement with National Lutheran, Inc. and National Lutheran Home for the Aged, Inc. (NLHA) relative to TVAR's long-term debt. NLI is the parent to both TVAR and NLHA; NLHA is an affiliate of TVAR. The support agreement outlines that NLI and NLHA will provide access to capital to maintain TVAR'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 TVAR. As of December 31, 2024, the investments held by NLHA are comprised of cash and cash equivalents (5%), Marketable equity securities (50%), mutual funds (15%), and fixed income securities (30%). Approximately 36.32% and 51.43% of the combined investments are attributable to TVAR as of December 31, 2024 and 2023, respectively. The percentage of combined investments is calculated based on a monthly allocation, adjusted for any necessary reallocations specific to TVAR. Investment income is also based on this allocation.

### 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 and investments are reported on the accompanying balance sheets at fair value, based on quoted market prices as provided by a national exchange, and beneficial interest in supporting organization is valued at net asset value (NAV) based on the TVAR's percent interest.

Investment income (including realized and unrealized gains and interest and dividends) is included in nonoperating revenue (expense) unless the income or loss is restricted by donor or law or related to unrealized gains or losses on alternative investments. Interest income is measured as earned on the accrual basis. Dividends are measured on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

TVAR'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 (3-40 years). TVAR's capitalization policy is to capitalize amounts in excess of \$5,000. 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 \$23,000 and \$0 as of December 31, 2024 and 2023, respectively.

### **Funds Held in Trust by Others**

TVAR 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 TVAR is notified of the trust's existence. TVAR 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, TVAR 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 TVAR 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. TVAR uses published mortality tables adopted by the United States Internal Revenue Service (IRS) 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 TVAR maintains in compliance with this requirement.

### **Entrance Fees**

TVAR's policy requires payment of an entrance fee for admittance to an independent living residence under a type C fee-for-service contract. TVAR currently offers traditional, 50% guaranteed refund, and 90% guaranteed refund entrance fee options. Agreements feature an amortization provision whereby the nonrefundable component of the entrance fee is earned ratably over a future time period following the initial date of occupancy. After this time period has ended, no refund is due to the resident. The nonrefundable component is contractually earned by TVAR as follows:

**Traditional entrance fee** - After applying the 10% administrative fee, the remaining entrance fee is contractually earned by TVAR over 60 months, at which time no refund will be payable to the resident.

**50% entrance fee** - Guarantees a refund amount that is the greater of either 50% of the entrance fee paid, or an amount equal to the entrance fee paid less a 10% administrative fee, and less than a sum equal to 1.5% of 90% of the entrance fee paid for each month between the occupancy date and the termination date.

**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 TVAR to new residents remain in force.

The nonrefundable 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 approximately \$67,038,000 as of December 31, 2024.

TVAR 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 amortization of deferred financing costs, included in interest expense on the accompanying statements of operations, totaled \$63,496 and \$63,497 for the years ended December 31, 2024 and 2023, 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 TVAR 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.

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. TVAR 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. TVAR 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. TVAR 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. TVAR 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 \$4,663,135 in 2024 and \$4,341,330 in 2023.

## The Village at Rockville, Inc.

### Notes to Financial Statements

December 31, 2024 and 2023

TVAR 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. TVAR 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.

TVAR 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:

	2024				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 5,293,840	\$ 5,306,660	\$ 7,157,568	\$ 1,321,340	\$ 19,079,408
Medicare	8,292,149	-	-	-	8,292,149
Medical Assistance	8,883,614	-	-	-	8,883,614
Commercial insurance	980,407	-	-	-	980,407
Amortization of nonrefundable entrance fees	-	-	4,663,135	-	4,663,135
Total	<u>\$ 23,450,010</u>	<u>\$ 5,306,660</u>	<u>\$ 11,820,703</u>	<u>\$ 1,321,340</u>	<u>\$ 41,898,713</u>

  

	2023				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 4,135,610	\$ 4,870,363	\$ 6,449,664	\$ 1,209,096	\$ 16,664,733
Medicare	7,094,255	-	-	-	7,094,255
Medical Assistance	7,199,716	-	-	-	7,199,716
Commercial insurance	1,123,630	-	-	-	1,123,630
Amortization of nonrefundable entrance fees	-	-	4,341,330	-	4,341,330
Total	<u>\$ 19,553,211</u>	<u>\$ 4,870,363</u>	<u>\$ 10,790,994</u>	<u>\$ 1,209,096</u>	<u>\$ 36,423,664</u>

TVAR 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 TVAR's clinical assessment of its residents. TVAR 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 Village at Rockville, Inc.**

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### Notes to Financial Statements

December 31, 2024 and 2023

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

Payment terms and conditions for TVAR'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.

### **Advertising**

TVAR expenses advertising costs as incurred. Advertising expense totaled \$239,723 and \$239,192 for the years ended December 31, 2024 and 2023, respectively.

### **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. Other changes in net assets without donor restrictions, which are excluded from the performance indicator, consistent with industry practice, include unrealized gains on alternative investments measured at NAV.

### **Income Tax Status**

TVAR is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and has been recognized as tax exempt under Section 501(a) of the IRC. 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 TVAR and recognize a tax liability or asset if TVAR has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. TVAR has concluded that as of December 31, 2024 and 2023, 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, 2021, and thereafter remain subject to examination by federal and state tax authorities.

### **Reclassifications**

Certain reclassifications have been made to the 2023 financial statements to conform to the presentation used in 2024.

### **Subsequent Events**

In preparing these financial statements, TVAR evaluated events that occurred through April 30, 2025, the date the financial statements were issued, for potential recognition or disclosure.

## The Village at Rockville, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

### 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:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 18	\$ 1,853
Accounts receivable, net	2,109,199	1,859,352
Investments	6,570,950	5,574,208
Beneficial interest in supporting organization	15,893,525	18,378,369
Total financial assets	<u>\$ 24,573,692</u>	<u>\$ 25,813,782</u>

As part of TVAR'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. TVAR 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, TVAR 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 TVAR 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.

### 3. Concentrations of Credit Risk

TVAR grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicare and various commercial insurance companies. TVAR maintains cash, restricted cash and cash equivalents accounts, which, at times, may exceed federally insured limits. TVAR has not experienced any losses from maintaining cash and cash equivalents accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash, restricted cash and cash equivalents.

### 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 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 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 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

# The Village at Rockville, Inc.

## Notes to Financial Statements

December 31, 2024 and 2023

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

		2024			
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Reported at fair value:					
Assets:					
Assets whose use is limited:					
Cash equivalents	\$ 6,108,574	\$ 6,108,574	\$ 6,108,574	\$ -	\$ -
Investments:					
Cash equivalents	405,944	405,944	405,944	-	-
Equity securities	1,865,720	1,865,720	1,865,720	-	-
Mutual funds	2,507,968	2,507,968	2,501,689	6,279	-
Fixed income securities	703,290	703,290	543,558	159,732	-
Exchange traded funds	1,088,028	1,088,028	1,088,028	-	-
Total investments	6,570,950	6,570,950	6,404,939	166,011	-
Total assets	12,679,524	12,679,524	12,513,513	166,011	-
Beneficial interest in supporting organization measured at NAV	23,979,588	23,979,588			
Total	36,659,112	36,659,112			
Funds held in trust by others	1,624,981	1,624,981	-	-	1,624,981
Total assets	\$ 38,284,093	\$ 38,284,093	\$ 12,513,513	\$ 166,011	\$ 1,624,981
		2023			
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Reported at fair value:					
Assets:					
Assets whose use is limited:					
Cash equivalents	\$ 5,901,568	\$ 5,901,568	\$ 5,901,568	\$ -	\$ -
Investments:					
Cash equivalents	372,349	372,349	372,349	-	-
Equity securities	1,565,018	1,565,018	1,562,472	2,546	-
Mutual funds	2,104,380	2,104,380	2,104,380	-	-
Fixed income securities	579,571	579,571	557,932	21,639	-
Exchange traded funds	952,890	952,890	952,890	-	-
Total investments	5,574,208	5,574,208	5,550,023	24,185	-
Total assets	11,475,776	11,475,776	11,451,591	24,185	-
Beneficial interest in supporting organization measured at NAV	26,552,741	26,552,741			
Total	38,028,517	38,028,517			
Funds held in trust by others	2,305,729	2,305,729	-	-	2,305,729
Total assets	\$ 40,334,246	\$ 40,334,246	\$ 11,451,591	\$ 24,185	\$ 2,305,729

## The Village at Rockville, Inc.

### Notes to Financial Statements

December 31, 2024 and 2023

In accordance with the Maryland Department of Aging reserve requirements governing continuing care retirement communities (Note 6), TVAR maintains an operating reserve based on a percentage of the facility's net operating expenses for the most recent audited 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.

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

There were no transfers between Level 1, Level 2 or Level 3 during the years ended December 31, 2024 or 2023.

The following methods have been used by TVAR 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, 2024 or 2023:

**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, Mutual Funds and Exchange Traded 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.

**Beneficial Interest in Supporting Organization** - Based on the fair values of the investments held in the fund at TVAR'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.

**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 TVAR 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 following is a reconciliation of activity for Level 3 assets at fair value based upon significant unobservable (nonmarket) information as of December 31:

	2024	2023
Balance, beginning of year	\$ 2,305,729	\$ 2,447,836
Valuation gain (loss)	(29,775)	159,437
Distributions	(650,973)	(301,544)
Balance, end of year	<u>\$ 1,624,981</u>	<u>\$ 2,305,729</u>

The change in value in Level 3 assets is recorded on the statements changes in net assets as an increase or decrease in net assets with donor restrictions.



## The Village at Rockville, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

### 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:

	2024	2023
Assets whose use is limited:		
Operating reserve	\$ 8,085,938	\$ 8,174,372
Assets held under trust indenture (2012 bonds):		
Debt service reserve	885,909	843,676
Interest	452,027	455,510
Principal	369,721	356,239
Replacement reserves	50,318	47,614
Assets held under trust indenture (2018 bonds):		
Entrance fee fund	519,030	512,883
Debt service reserve	3,087,665	2,940,472
Interest	743,321	744,619
Construction	583	555
	14,194,512	14,075,940
Less current portion	(2,102,010)	(2,083,332)
Assets whose use is limited, net	\$ 12,092,502	\$ 11,992,608

### 6. Maryland Department of Aging Reserve Requirements

In accordance with Maryland law governing continuing care retirement communities, TVAR is required to set aside operating reserves totaling 25% of the facility's net operating expenses (as defined) for the most recent audited fiscal year.

The calculation of the required minimum statutory operating reserve for the year ended December 31, 2024, is as follows:

Total operating expenses for fiscal year ended December 31, 2023	\$ 41,889,206
Less:	
Depreciation	(6,257,563)
Interest	(3,287,893)
Adjusted operating expenses	\$ 32,343,750
Funding requirement (25% of operating expenses)	\$ 8,085,938

TVAR has reserved this amount in assets whose use is limited to satisfy the minimum statutory operating reserve requirement.

## The Village at Rockville, Inc.

### Notes to Financial Statements

December 31, 2024 and 2023

#### 7. Property and Equipment

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

	2024	2023
Land	\$ 3,255,294	\$ 3,255,294
Land improvements	1,364,323	1,278,079
Buildings and building improvements	154,541,739	151,267,481
Furniture and equipment	19,948,982	16,730,302
Construction in progress	2,141,995	2,677,164
	181,252,333	175,208,320
Less accumulated depreciation	(77,948,059)	(71,738,782)
	<u>\$ 103,304,274</u>	<u>\$ 103,469,538</u>

#### 8. Long-Term Debt

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

	2024	2023
Series 2018A Fixed Rate Economic Development Revenue Bonds were payable in monthly installments of interest only through February 2022, and then monthly principal and interest payments through November 2048 to satisfy annual debt service requirements. Interest is fixed at 6.07% through maturity.	\$ 17,385,000	\$ 17,660,000
Series 2018B Adjustable Rate Economic Development Revenue Bonds were payable in monthly installments of interest only through February 2022, and then monthly principal and interest payments through November 2048 to satisfy annual debt service requirements. Interest is fixed at 5.23% and adjusts in February 2028 as defined in the debt agreements.	13,185,000	13,425,000
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% through maturity.	10,935,000	11,150,000
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% through maturity.	7,310,000	7,475,000
	48,815,000	49,710,000
Less current portion	935,000	895,000
Less deferred financing costs	1,302,425	1,365,921
Total long-term debt	<u>\$ 46,577,575</u>	<u>\$ 47,449,079</u>

## The Village at Rockville, Inc.

### Notes to Financial Statements

December 31, 2024 and 2023

As security for the payment of the bonds, TVAR 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.

TVAR 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, 2024 and 2023.

Scheduled principal payments on long-term debt as of December 31, 2024, are as follows:

Years ending December 31:	
2025	\$ 935,000
2026	995,000
2027	1,050,000
2028	1,125,000
2029	1,175,000
Thereafter	<u>43,535,000</u>
	<u>\$ 48,815,000</u>

Interest expense in connection with long-term debt totaled \$2,805,063 in 2024 and \$2,855,972 in 2023.

## 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:

	<u>2024</u>	<u>2023</u>
Net assets:		
Without donor restrictions:		
Undesignated	\$ (7,912,764)	\$ (9,059,375)
Maryland Department of Aging reserve requirements	<u>8,085,938</u>	<u>8,174,372</u>
	<u>173,174</u>	<u>(885,003)</u>
With donor restrictions:		
Purpose restricted for:		
Operations	416,556	273,950
Charitable remainder trusts	14,582	37,738
Perpetual trusts	1,610,399	2,267,992
Restricted in perpetuity	<u>3,683,963</u>	<u>2,662,716</u>
	<u>5,725,500</u>	<u>5,242,396</u>
	<u>\$ 5,898,674</u>	<u>\$ 4,357,393</u>

For the years ended December 31, 2024 and 2023, net assets of \$183,806 and \$328,026, 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 TVAR.

## The Village at Rockville, Inc.

### Notes to Financial Statements

December 31, 2024 and 2023

#### 10. Related-Party Transactions

NLI is the sole member of TVAR and provides support in the form of management and support services in exchange for management fees and provides additional capital support when needed. TVAR incurred management fees to NLI totaling \$2,841,790 and \$2,655,168 for the years ended December 31, 2024 and 2023, 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 affiliated organizations as of December 31:

	<u>2024</u>	<u>2023</u>
National Lutheran, Inc. (Parent)	\$ -	\$ 6,100,111

#### 11. Expenses by Nature and Function

TVAR'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:

	<u>2024</u>		
	<u>Resident Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 15,083,748	\$ 1,108,354	\$ 16,192,102
Employee benefits and payroll taxes	2,803,682	161,035	2,964,717
Professional fees	3,538,158	109,761	3,647,919
Ancillary and medical	2,830,458	-	2,830,458
Supplies	674,490	26,897	701,387
Food services	1,452,674	17,019	1,469,693
Utilities	1,438,281	425,415	1,863,696
Depreciation	6,209,277	-	6,209,277
Interest	2,813,206	63,496	2,876,702
Insurance	355,159	-	355,159
Real estate taxes	518,643	-	518,643
Repairs and maintenance	609,984	90,035	700,019
Advertising and marketing	239,723	-	239,723
Licenses, dues and subscriptions	224,952	440,562	665,514
Other operating expenses	400,970	110,003	510,973
Credit loss expense	190,130	-	190,130
Management fees	-	2,841,790	2,841,790
Total	<u>\$ 39,383,535</u>	<u>\$ 5,394,367</u>	<u>\$ 44,777,902</u>

## The Village at Rockville, Inc.

Notes to Financial Statements  
December 31, 2024 and 2023

	2023		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 13,305,345	\$ 761,507	\$ 14,066,852
Employee benefits and payroll taxes	2,709,720	145,612	2,855,332
Professional fees	3,006,332	105,579	3,111,911
Ancillary and medical	2,426,619	-	2,426,619
Supplies	618,447	116,389	734,836
Food services	1,229,213	24,014	1,253,227
Utilities	1,756,032	201,878	1,957,910
Depreciation	6,257,563	-	6,257,563
Interest	3,224,396	63,497	3,287,893
Insurance	250,162	-	250,162
Real estate taxes	942,043	-	942,043
Repairs and maintenance	444,290	87,687	531,977
Advertising and marketing	239,192	-	239,192
Licenses, dues and subscriptions	212,344	394,117	606,461
Other operating expenses	378,650	116,885	495,535
Credit loss expense	216,525	-	216,525
Management fees	-	2,655,168	2,655,168
Total	\$ 37,216,873	\$ 4,672,333	\$ 41,889,206

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.

### 12. Benevolent Care

TVAR 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 TVAR does not pursue collection of amounts determined to be benevolent care, they are not reported as resident service revenue.

TVAR 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 to assisted living residents amounted to approximately \$317,000 and \$167,000 for the years ended December 31, 2024 and 2023, respectively. The amount by which costs exceeded revenues for the Medicaid program amounted to approximately \$1,690,000 and \$2,056,000 for the years ended December 31, 2024 and 2023, respectively. TVAR received contributions of approximately \$340,000 and \$964,000 for the years ended December 31, 2024 and 2023, respectively, to offset or subsidize benevolent care services provided.

### **13. Pension Plan**

TVAR participates in a 403(b) defined contribution plan. The Plan states TVAR 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, TVAR will contribute 50% of each employee's contribution up to the next 2% of such participant's compensation for each payroll period. The Safe Harbor employer matching contribution is immediately vested. Discretionary employer contributions are vested at 20% per year to 100% after five years. All participating employees' contributions are 100% vested. Employer contributions totaled \$330,561 and \$308,684 for the years ended December 31, 2024 and 2023, respectively, and are recorded in employee benefits and payroll taxes on the statements of operations. There were no discretionary employer contributions in 2024 or 2023.

### **14. Medical Malpractice and General Liability Claims Coverage**

TVAR participates in a reciprocal risk retention group (RRG) through NLI. The coverage is provided on a claims-made basis. Medical malpractice and general liability coverages were provided for TVAR in the amount of \$1,000,000 per event and \$3,000,000 per annual aggregate. Each claim has a \$75,000 self-insured retention, prior to the primary insurance coverage. TVAR also has an excess umbrella policy for general liability coverage. The excess umbrella limit is \$15,000,000 in the aggregate. TVAR funds any potential accrued claims incurred but not reported liability through the premiums paid to the RRG. As of December 31, 2024, no such adjustments to premiums are deemed necessary.

### **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. TVAR is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on TVAR, if any, are not presently determinable.



### **G3: Cash Flow Projection – Current and next Two Fiscal Years**

Note: The following page (59) entails cash flow projection data



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The Village at Rockville			
G3 Cash Flow Projection for Current Fiscal Year and Next Two Fiscal Years			
	Budget	Projected	Projected
	2025	2026	2027
<b>Cash Flows from Operating Activities:</b>			
Total change in net assets	(322,532)	(176,103)	(167,926)
Adjustments to reconcile changes in net assets to net cash			
provided (used) by operating activities:			
Depreciation expense	6,505,000	6,605,000	6,705,000
Amortization expense	63,500	63,500	63,500
Changes in other assets and liabilities			
Net entrance fee proceeds, nonrefundable	1,998,782	2,226,053	2,591,452
Amortization of entry fees	(4,300,000)	(4,300,000)	(4,300,000)
Realized & Unrealized Gains(Losses)			
Changes in assets and liabilities			
Other		(200,000)	(200,000)
Net cash provided (used) in operating activities	3,944,750	4,218,450	4,692,026
<b>Cash Flows from Investing Activities:</b>			
Net purchases of investments   assets whose use is limited	(1,700,000)	(1,700,000)	(1,700,000)
Purchases of property and equipment	(6,202,700)	(5,470,000)	(7,080,000)
Net cash provided (used) in investing activities	(7,902,700)	(7,170,000)	(8,780,000)
<b>Cash Flows from Financing Activities:</b>			
Principal payments on long-term debt	(935,000)	(995,000)	(1,050,000)
Change in Due to affiliates, net*			
Proceeds from Entrance Fees, Refundable (net of refunds)	8,903,674	7,044,534	9,208,832
Other			
Net cash provided (used) in investing activities	7,968,674	6,049,534	8,158,832
Net change in cash and cash equivalents	4,010,724	3,097,984	4,070,858
<b>Cash and cash equivalents, Restricted Cash, beginning of year</b>	6,108,592	10,119,316	13,217,300
<b>Cash and Cash Equivalents, Restricted Cash, end of year</b>	10,119,316	13,217,300	17,288,158

