



# THE VILLAGE AT ORCHARD RIDGE

A National Lutheran Community

## DISCLOSURE STATEMENT OF THE VILLAGE AT ORCHARD RIDGE, INC.

The filing of this disclosure with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the Community by the State Corporation Commission.

Dated: May 10, 2023

**NAME OF PROVIDER:**

THE VILLAGE AT ORCHARD RIDGE, INC. ("The Village at Orchard Ridge" or "Orchard Ridge")

**BUSINESS ADDRESS OF PROVIDER:**

400 Clocktower Ridge Drive  
Winchester, Virginia 22603

**NAME OF FACILITY:**

THE VILLAGE AT ORCHARD RIDGE

**BUSINESS ADDRESS OF FACILITY:**

The Village at Orchard Ridge  
400 Clocktower Ridge Dr.  
Winchester, VA 22603

**LEGAL ENTITY:**

The Village at Orchard Ridge, Inc. ("TVOR") is a Virginia nonstock, non-profit corporation incorporated on September 25, 2008, and is affiliated with the Evangelical Lutheran Church in America. There is a single class of Members of TVOR consisting of the duly elected members of the Board of Trustees of National Lutheran, Inc. ("NLI"), a Maryland non-stock, non-profit corporation, as that Board of Trustees may from time to time be constituted. The Board of Directors of TVOR is elected by the Members of TVOR. The Board of Directors of NLI is elected by its own Members, which are the Delaware-Maryland Synod, the Metropolitan Washington, DC Synod, and the Virginia Synod of the Evangelical Lutheran Church in America.

**OFFICERS OF THE VILLAGE AT ORCHARD RIDGE**

The officers as of May 10, 2023, were as follows:

Chair: Catherine Philips  
142 Hawthorne Drive  
Winchester, VA 22601  
478-284-6975

Immediate Past Chair Rev. Nathan Robinson  
416 Stonecrest Dr.  
Woodstock, VA 22664  
E: [Pastorr@shentel.net](mailto:Pastorr@shentel.net)  
Emanuel Lutheran Church  
127 E. High St.  
Woodstock, VA 22664  
(C) 540-333-2117

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Secretary/Treasurer: Matthew S. Akers, Esquire  
McCarthy and Akers  
302 W. Boscawen Street  
Winchester, VA 22601  
T: 540-722-2181  
F: 540-722-2381  
Email: [makers@mccarthyakers.com](mailto:makers@mccarthyakers.com)

President/CEO: Ms. Cynthia A. Walters  
National Lutheran Communities & Services  
5275 Westview Drive, Suite 110  
Frederick, MD 21703

## **MEMBERS OF THE BOARD OF DIRECTORS**

The Board of Directors of Orchard Ridge as of April 2023 are as follows:

Catherine R. Philips  
142 Hawthorne Drive  
Winchester, VA 22601  
478-284-6975

Matthew S. Akers, Esquire  
McCarthy and Akers  
302 W. Boscawen Street  
Winchester, VA 22601  
T: 540-722-2181  
F: 540-722-2381  
Email: [makers@mccarthyakers.com](mailto:makers@mccarthyakers.com)

Cynthia A. Walters, President/CEO  
5275 Westview Drive, Suite 110  
Frederick, MD 21703

Gail O. Mazzocco  
400 Clocktower Ridge Dr., Apt. 2319  
Winchester, VA 22603-3885

Lisa Behr  
453 Canyon Road  
Winchester, VA 22602

## **BUSINESS EXPERIENCE OF THE PROVIDER, DIRECTORS, CORPORATE OFFICERS, AND MANAGEMENT OF PROVIDER:**

### **The Provider – The Village at Orchard Ridge**

Orchard Ridge has an exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. The duly elected representatives of the Board of Trustees of NLCS, which constitute the Member of Orchard Ridge, also constitute the Member of The Village at Rockville (TVAR) a Maryland corporation, The Legacy at North Augusta (TLNA) a Virginia corporation, The Village at Augsburg (TVAA) a Maryland corporation, and The Village at Providence Point (TVPP) a Maryland corporation. TVAR owns and operates a skilled nursing care, assisted living, and a Continuing Care Retirement Community (CCRC) in Rockville, Maryland. TLNA is an assisted living community that provides rental, residential care, and assisted living apartments in Staunton, VA. VA. TVAA owns a residential Continuing Care Retirement Community (CCRC) in Gwynn Oak, MD. The Village at Providence Point is a proposed CCRC development in Annapolis, MD, that has received its Preliminary Certificate of Authority from the Maryland Department of Aging. NLCS also provides Home Care services in Winchester, Virginia, doing business as myPotential at Home-Virginia, A National Lutheran Service. NLCS and Orchard Ridge, TVAR, TLNA, TVAA, and TVPP have in place Management and Services agreements under which NLCS provides management services to each of the communities.

### **Corporate Officers and Directors**

Listed below is information regarding the education, occupation, and business experience of each Director.

#### **Gail O. Mazzocco**

Gail O. Mazzocco, a resident at The Village at Orchard Ridge—A National Lutheran Community, joined the Board of Directors in 2019. Mrs. Mazzocco served as a consultant to the North Carolina Foundation for Nursing Excellence. She developed a statewide plan for admission requirements to 12 University of North Carolina System R.N. to BSN Programs. Before this, Mrs. Mazzocco served in senior positions in the School of Nursing at the University of North Carolina, Chapel Hill, and the School of Nursing at the University of Maryland.

Mrs. Mazzocco has been active in community and church life, serving in various capacities. She served as president and vice-president of the congregational council at Christ Lutheran Church in Cumberland, Maryland, and Holy Trinity Lutheran Church and Campus Ministry, Chapel Hill, North Carolina, respectively. She also served as chair of the health cabinet at Holy Trinity. She has served as vice president of the Maryland Nurses' Association, chair of the Allegany College of Maryland Foundation Board, a member of the Board of Trustees of The Memorial Hospital, Cumberland, Maryland, and chair of the Board of Directors, Fearrington Cares, Pittsboro, North Carolina.

Since moving to The Village at Orchard Ridge, Mrs. Mazzocco has been an active member of the Residents' Association, serving a two-year term as vice president, chair of the finance workgroup, and several support activities.

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Mrs. Mazzocco received her EdD from the College of Education, the University of Maryland, College Park, Maryland; major in higher education administration; M.S. from the University of Maryland School of Nursing, Baltimore, Maryland, major in medical-surgical nursing; B.S. in Nursing, University of Maryland School of Nursing, Baltimore, Maryland; diploma in nursing from Massachusetts General Hospital School of Nursing, Boston, Massachusetts.

### **Catherine Phillips**

Catherine R. Philips (Cathy) is a Community and Civic Leader who currently serves as the Education Chair of the Winchester Medical Center Auxiliary Board while also a member of the Junior Century Club and the Little Garden Club of Winchester. Previously, Ms. Philips has held numerous officer, board, and committee member positions with Quota International of Winchester, Chatmoss Country Club, Piedmont Arts, The Martinsville Garden Club, First United Church, the Macon (GA) Symphony Orchestra, and the Oxford College of Emory University.

Ms. Philips received her Master of Social Work from the University of Georgia in 1987 and her Bachelor of Arts degree in Sociology from Emory University in 1985. Ms. Philips also earned an Associate of Arts degree from the Oxford College of Emory University in 1983.

Ms. Philips had significant prior professional experience as a Renal Social Worker and Clinical Social Worker at Riverside Health System and Riverside Rehabilitation Institute in Newport News, VA, respectively; as a Clinical Social Worker for the Inpatient Alcohol and Drug Treatment Program at the Hampton VA Medical Center; and as a Clinical Social Worker at the VA Medical Center in Atlanta, GA.

### **Matthew Akers**

Matthew S. Akers is a founding partner of McCarthy & Akers, PLC, where his practice focuses on civil and commercial litigation, appellate law, construction law, contracts, and real estate, including planning and land use, and zoning. He also serves as the Town Attorney for the Town of Mount Jackson and is the general counsel to many non-profit and for-profit organizations.

Mr. Akers received his J.D. from the Ave Maria School of Law in Ann Arbor, Michigan, where he served as Executive Solicitations Editor of the Ave Maria Law Review. After graduation from law school, Mr. Akers clerked for the Honorable James L. Ryan, United States Court of Appeals for the Sixth Circuit. He earned his Bachelor of Arts degree from Christendom College in Front Royal, Virginia, where he majored in Philosophy with minors in Economics and Theology.

Mr. Akers has recently served as Vice President and Board Member of the New Eve Maternity Home and on the Board of the Adult Care Center of the Northern Shenandoah Valley. He currently serves as a member of the Finance Committee of St. John the Baptist Catholic Church and as Board Member of the Istituto del Sacro Cuore.

Biographical information included in Management Personnel of Facility below.

## **Management Personnel of Facility**

### **Ms. Cynthia A. Walters, CEO, NLCS** *Chief Executive Officer*

Cyndi Walters was named president and chief executive officer (CEO) of National Lutheran Communities and Services (NLCS) in May 2021, assuming the position full time in August 2021. Prior to this role, she served as chief operating officer (COO) since 2016.

Cyndi has served at NLCS in varying capacities for nine years; first as a consultant before joining as chief operating officer in 2016. Cumulatively, Walters has over 30 years of experience in the senior living industry including a strong background in strategically growing and diversifying the organization and an enhanced focus on operating as a senior-living system and leveraging its benefits and efficiencies. Prior to joining NLCS, she provided project management and advisory services to senior living organizations through Walters Advisors, LLC. She has also served in a leadership role at Presbyterian Senior Living in Dillsburg, Pennsylvania, and during her 19 years at KPMG (a global network of professional firms providing audit, tax, and advisory services), spent considerable time as a partner and leader of their National Senior Living Advisory Practice.

As president and CEO, Cyndi's focus is strategically growing and furthering NLCS' mission to honor, inspire and support choice and opportunity in partnership with older adults. Cyndi is an advocate for "aging with choice," which means supporting older adults in making their own choices in aging, whether it means moving to a senior living community or bringing in supportive services to their home. She is also an advocate for team members across the organization and leads a team dedicated to ensuring NLCS remains a Great Place to Work® and an employer of choice for those who have a heart to serve older adults.

Cyndi is a native of the Harrisburg, Pennsylvania area and holds a Bachelor of Science degree from York College of Pennsylvania.

### **Mr. John Loop** *Executive Director*

John Loop, the Executive Director, joined The Village at Orchard Ridge in April of 2021. He has over 15 years of experience leading dynamic Life Plan Community (also known as CCRC) operations in the Mid-Atlantic region. Most recently, he served as the director of health services for Falcons Landing Military Retirement Community in Sterling, Virginia. While there, he was responsible for all health care operations within this leading retirement community, including multiple deficiency-free health inspections and recognition by "U.S. News and World Report" as a high-performing nursing home and assisted living in 2019 and 2020. Prior to Falcons Landing, he served as the executive director of Timbercrest Senior Living Community, a Life Plan Community with 200 IL apartments and villas, assisted living and skilled nursing in North Manchester, Indiana. In his service to other organizations in the senior living industry, he has held leadership roles within Asbury Methodist Village and Erickson Living, responsible for over \$200 million of development and program growth.

Throughout his career, he has worked alongside great leaders, mentors, and colleagues. He believes

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that leadership is the cornerstone of any organization and maintaining open communication lines with team members and residents is key to organizational strength and growth. He believes that these values contribute to people living the best and fullest lives.

Ms. Lisa Behr serves as a board member for The Village at Orchard Ridge. Previously, Ms. Behr was chair of National Lutheran Communities & Services' (NLCS') Board of Trustees. Ms. Behr is currently an owner/manager of both residential and commercial real estate with Greenfield & Behr Residential located in Winchester, Virginia. Ms. Behr is also an owner/manager of both residential and commercial real estate. From 2004 through 2009, Ms. Behr has earned the BRAR President's Award and ERA Leadership Team Award. In 2009, she was named First in Service by ERA Real Estate, earning the prestigious Jim Jackson Memorial Award. Her certifications include Accredited Buyers Representative, Cartus/Affinity Certification and Senior Real Estate Specialist.

She is a member of Grace Evangelical Lutheran Church, Women's Philanthropic Educational Organization (PEO), supporter of the Winchester Royals Baseball Team and the Blue Ridge Association of Realtors Educational Committee.

Ms. Behr received a B.A. in Administration Management from the University of Northern Iowa in 1980.

## **ACQUISITION OF GOODS AND SERVICES**

Orchard Ridge provides, through its own organization and staff, the actual services contracted for under the Residence and Services Agreement. *See Attachment A.*

NLCS provides certain management functions on behalf of Orchard Ridge, there is no other management company, or third party involved. The Provider has no subsidiary companies, agencies, and/or arrangements with vendors and suppliers of service from which it purchases supplies or services. The procurement of supplies and services is made with established vendors and qualified professionals and is based, among other things, on professional credentials, availability, proximity, reputation, quality of merchandise and/or service, continuity of supply and/or service, competitive prices, etc. Negotiation for best rates will be made when it is felt appropriate. Bids may be called for in specific situations, but the decision will not be governed exclusively by the lowest bidder.

## **BENEFICIAL AND/OR EQUITY INTERESTS OF DIRECTORS, CORPORATE OFFICERS, AND MANAGEMENT**

No Officer or Director, or member of the management of Orchard Ridge or its parent or sister corporation has any beneficial or equity interest in Orchard Ridge or its parent or sister corporation. The following Corporate Officers serve in their respective positions by Board appointment:

Chairman:	Ms. Catherine Phillips
Secretary/Treasurer:	Mr. Matthew S. Akers
President/CEO:	Ms. Cynthia A. Walters

Directors of Orchard Ridge nor of its parent and related corporations, except for the *Disclosure Statement for The Village at Orchard Ridge – Modified May10, 2023*

President/CEO, receive any compensation. They serve voluntarily on a rotating basis for the period of three years, with a maximum of two, three-year terms. The President/CEO of NLCS serves as an ex-officio member of the Orchard Ridge Board. Each Director completes an annual disclosure statement attesting to any potential areas of conflict of interest and to the extent of any business dealings they may have with the corporation. These disclosure statements are kept on file in the corporate office of NLCS.

## **CRIMINAL, CIVIL, AND REGULATORY PROCEEDINGS AGAINST PROVIDER, DIRECTORS, CORPORATE OFFICERS, AND MANAGEMENT**

Neither Orchard Ridge, nor its parent or related corporations, its Officers, Directors, or Management:

1. Has been convicted of a felony or pleaded nolo contendere to a criminal charge, or been held liable or enjoined in a civil action by final judgment, if the crime or civil action involved fraud, embezzlement, fraudulent conversion, misappropriation of property or moral turpitude; or
2. Is subject to an injunctive or restrictive order of a court of record, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or related to business activity or health care, including without limitation actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under this chapter or similar laws in another state; or
3. Is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property.

## **OWNERSHIP OF REAL PROPERTY**

The land on which the Community was constructed was purchased by Orchard Ridge on October 2, 2009.

## **LOCATION AND DESCRIPTION OF REAL PROPERTY**

The Community known as Orchard Ridge (the "Community") is located on approximately 131 acres in Winchester, VA, north of U.S. Route 50 and West of the State Route 37 Winchester bypass. The physical address of the Community is 400 Clocktower Ridge Drive, Winchester, VA 22603.

Opening in 2013, Orchard Ridge includes 308 Independent Living residences consisting of 207 one- and two-bedroom apartments; 69 two-bedroom cottages; as well as 32 rental apartment units, 20 Skilled Nursing rooms, 18 Assisted Living Memory Care rooms, and 17 Assisted Living Apartments. Square footage of the independent living apartment residences ranges from approximately 786 to 949 square feet in the one-bedroom apartments to approximately 1,170 to 1,502 square feet in the two-bedroom apartments. The cottages range from approximately 1,339 to 1,712 square feet. The community has commenced

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renovations to add 17 studio, one- and one-bedroom with den assisted living apartments. Expected to be completed by late summer or early fall of 2022, these assisted living apartments range from 711 to 807 square feet. Included in the Community is a Village Center with several amenities including a chapel, main dining rooms, private dining room, a bistro and pub, aquatic center, fitness center, mailroom, libraries, life enrichment areas, a guest suite, beauty salon and spa.

## **AFFILIATIONS WITH RELIGIOUS, CHARITABLE, OR OTHER NON-PROFIT ORGANIZATIONS**

The Village at Orchard Ridge, Inc. ("TVOR") is a Virginia nonstock, non-profit corporation and is affiliated with the Evangelical Lutheran Church in America. There is a single class of Members of TVOR consisting of the duly elected members of the Board of Trustees of National Lutheran, Inc. ("NLI"), a Maryland nonstock, non-profit corporation d/b/a National Lutheran Communities & Services, as that Board of Trustees may from time to time be constituted. The Board of Directors of TVOR is elected by the Members of TVOR. The Board of Directors of NLI is elected by its own members, which are the Delaware-Maryland Synod, the Metropolitan Washington, DC Synod, and the Virginia Synod of the Evangelical Lutheran Church in America.

Orchard Ridge and its related corporations are members of LeadingAge, an organization composed of similar continuing care retirement communities that have joined together for the purposes of continuing education, facility management, professional exchange of ideas effectuating stronger purchasing power and the like. Orchard Ridge and its related corporations are also members of Lutheran Services in America ("LSA"). LSA is an alliance of the Evangelical Lutheran Church in America, The Lutheran Church - Missouri Synod, and their related social ministry organizations. LSA strengthens and adds value to the ministries of its member organizations. Orchard Ridge is also a Member of LeadingAge Virginia.

## **TAX STATUS OF PROVIDER**

Orchard Ridge is exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code. Its parent, NLCS, is also exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code. Orchard Ridge's affiliated CCRC's, TVAR, and TVAA, have been determined to be exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code. TLNA has been determined to be exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code as of June 2011. TVPP has received its determination to be tax exempt under section 501(c)(3) of the Internal Revenue Code as of June 2014.

## **SERVICES PROVIDED UNDER CONTRACTS**

Orchard Ridge furnishes, at no additional cost to each resident at the Community (a "resident"), the following services under the Residence and Services Agreement at Orchard Ridge:

1. Living accommodation in the Community in one- or two-bedroom apartments or in two-bedroom cottages.
2. An Emergency Call System provided in each residence with response from the Community's 24/7 Emergency Response team members.

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3. A dining program equals the equivalent of fifteen meals per month per person. Special diets are available when authorized by staff. If a resident resides in Assisted Living Memory Care or the Skilled Nursing Facility in the Health Care Center, three meals per day are provided.
4. Utilities, including electricity, heat, water, air conditioning, sewer services, trash removal, and basic television service for apartment and cottage residents. The resident is responsible for charges for telephone, internet access and extended cable service.
5. Insurance of the Community against all reasonable losses and liabilities, other than a personal liability and individual property owned by the resident.
6. Personnel on duty 24 hours per day to protect the property and interests of the residents and of the Community.
7. Lighted off-street parking for residents and guests.
8. Maintenance of residences, communal areas, and all Community-owned items. This also includes upkeep of the grounds and other custodial functions.
9. The Community provides scheduled local transportation in Winchester on a regular basis within a ten-mile radius of the Community.
10. The Community maintains each residence by providing housekeeping services every other week, including vacuum cleaning, dusting, cleaning of bath(s) and kitchen, and trash removal. Additional housekeeping services may be scheduled at the request and expense of the resident. If a resident resides in Assisted Living, Assisted Living Memory Care or the Skilled Nursing Facility in the Health Care Center, housekeeping and laundry services are provided as appropriate.
11. The Community provides washers and dryers in each independent living residence. (Bed and bath linens are provided for residents in Assisted Living, Assisted Living Memory Care, and the Skilled Nursing Facility in the Health Care Center.)
12. Use and enjoyment of all Community and communal areas, plus participation in all Community-planned religious and social activities and events, as desired, as well as various craft and hobby opportunities, library, and other activities as scheduled.
13. Residents in the Apartments and Cottages, who have paid an entry fee are provided priority access entitled to Assisted Living, Assisted Living Memory Care and Health Care services, on a fee for services basis, if the Community through its attending physician(s) and/or Health Center Medical Director, in consultation with the resident or the resident's representative, determines that

the resident requires these levels of care. If residents reside in the rental units, they are not contractually provided priority access to either Assisted Living Memory Care or Health Care services but may gain access to these services if or as beds may be available.

### **ADDITIONAL AVAILABLE SERVICES (REQUIRING EXTRA CHARGES)**

Additional services are available to the resident, which are not covered in the Residence and Services Agreement which require a separate and additional charge. These include, but are not limited to, the following:

1. Medical Services - generally all medically related services are the fiscal responsibility of the resident and are not located on site. Included, but not limited to, are the following: [See Section II. F. of the Residence and Services Agreement]
  - a. All hospital care (done on either an in-patient or on an out-patient basis). The Community will only provide access for such care when the Community determines this care is needed. Only hospitals accredited by the Joint Commission on Accreditation of Healthcare Organizations (or similar) will be utilized.
  - b. Employment by the resident of Private Service Providers (at the hospital and in the Community).
  - c. All physician services needed by the resident.
  - d. All dental treatment and care of the resident's teeth, including purchase and/or repairs to dentures (partial and complete).
  - e. Ophthalmologist care, including routine eye examinations.
  - f. Prosthetic devices and limbs (including repair and replacement thereof), hearing aids, wheelchairs, walkers, canes, etc.
  - g. Pharmacy services and medications (including prescription and non-prescription drugs)
  - h. Laboratory and x-ray tests.
  - i. Physical, Occupational, and Speech Therapy.
2. Meals more than the amount allocated through the dining plan of the resident.

### **MEDICAL ASSISTANCE**

Orchard Ridge participates in the state Medical Assistance Services (Title XIX, Medicaid) program.

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## FEES REQUIRED OF RESIDENTS

The fee structure for residents entering the Community includes an initial Entrance Fee along with a Monthly Fee. Residents entering the Community directly to the Rental apartments, Assisted Living, Assisted Living Memory Care and Skilled Nursing care are not charged an Entrance Fee upon admission to the Community but are charged one-time community fee of \$3,000 for the first person and an additional \$750 for the second person. The Entrance Fee varies with the size and type of residence selected and whether for single or double occupancy.

Listed below are the current fees effective January 1, 2023 (including Entrance Fees and Monthly Charges) required of residents entering the Community under the Residence and Services Agreement:

### APARTMENTS -

Apartment Residence Style	Traditional Declining Refund Entrance Fee	50% Refundable Entrance Fee	90% Refundable Entrance Fee	Monthly Service Fee
1 bedroom, 1 bath	\$237,225	\$311,670	\$476,230	\$2,601
1 bedroom, 1 1/2 bath	\$246,475	\$323,860	\$494,609	\$2,678
1 bedroom, 1 bath	\$265,900	\$349,335	\$533,784	\$2,706
1 bedroom, 1 1/2 bath, den	\$269,315	\$353,815	\$540,657	\$2,752
1 bedroom, 1 1/2 bath, den	\$281,150	\$369,405	\$564,421	\$2,752
2 bedroom, 2 bath	\$345,275	\$453,635	\$633,737	\$3,183
2 bedroom, 2 bath	\$354,070	\$465,145	\$676,972	\$3,183
2 bedroom, 2 bath	\$358,230	\$470,645	\$684,813	\$3,213
2 bedroom, 2 bath	\$358,230	\$470,645	\$684,813	\$3,315
2 bedroom, 2 bath	\$375,490	\$493,330	\$717,905	\$3,363
2 bedroom, 2 bath	\$379,810	\$498,995	\$726,156	\$3,363
2 bedroom, 2 bath	\$384,130	\$504,670	\$734,402	\$3,443
2 bedroom, 2 bath, den	\$407,615	\$531,405	\$779,297	\$3,518
2 bedroom, 2 bath, den	\$419,510	\$542,310	\$802,073	\$3,673
<b>Second Person Fee</b>	<b>\$8,385</b>	<b>\$11,860</b>	<b>\$17,315</b>	<b>\$799</b>

### COTTAGES

Cottage Residence Style	50% Refundable Entrance Fee	90% Refundable Entrance Fee	Monthly Service Fee
2 bedroom, 2 bath	\$480,620	\$716,608	\$3,518
2 bedroom, 2 bath	\$528,660	\$788,266	\$3,823
2 bedroom, 2 bath	\$563,265	\$839,685	\$3,977
2 bedroom, 2 bath	\$577,930	\$861,636	\$4,130
2 bedroom, 2 bath, den	\$591,980	\$882,525	\$4,283
2 bedroom, 2 bath, den	\$606,520	\$904,291	\$4,436
<b>Second Person Fee</b>	<b>\$11,860</b>	<b>\$17,315</b>	<b>\$779</b>

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## ASSISTED LIVING MONTHLY FEES 2023

Apartment Residence Style	Level 1		Level 2		Level 3		*Second Person Monthly Fee
	AL Monthly Fee	AL Monthly Fee	AL Monthly Fee	AL Monthly Fee	AL Monthly Fee	AL Monthly Fee	AL Monthly Fee
	First Person	Second Person	First Person	Second Person	First Person	Second Person	
Studio, 1 bath	\$6,600	\$2,189	\$7,200	\$2,789	\$7,800	\$3,389	\$1,589
1 bedroom, 1 bath	\$7,320	\$2,189	\$7,920	\$2,789	\$8,520	\$3,389	\$1,589
1 bedroom, 1 bath	\$7,519	\$2,189	\$8,119	\$2,789	\$8,719	\$3,389	\$1,589
1 bedroom, 1 bath, den	\$7,534	\$2,189	\$8,134	\$2,789	\$8,734	\$3,389	\$1,589
1 bedroom, 1 bath	\$7,556	\$2,189	\$8,156	\$2,789	\$8,756	\$3,389	\$1,589
1 bedroom, 1 bath, den	\$7,578	\$2,189	\$8,178	\$2,789	\$8,778	\$3,389	\$1,589
1 bedroom, 1 bath	\$7,674	\$2,189	\$8,274	\$2,789	\$8,874	\$3,389	\$1,589
1 bedroom, 1 bath, den	\$7,738	\$2,189	\$8,338	\$2,789	\$8,938	\$3,389	\$1,589
1 bedroom, 1 bath, den	\$7,741	\$2,189	\$8,341	\$2,789	\$8,941	\$3,389	\$1,589

\* This second person fee charged to a non-care level resident living in the Assisted Living apartment with the first person

## ASSISTED LIVING MEMORY CARE MONTHLY FEES 2023

Residence Style	Level 1	Level 2	Level 3
Semi-private	7,528	8,192	8,788
Private	8,683	9,311	9,942

## NURSING CARE DAILY FEES 2023

Long-term care private pay	417
Skilled rehabilitation private pay	588

*Pricing is effective January 1, 2023 and is subject to change.*

### Adjustment of Entrance Fees

Entrance Fees are subject to adjustment annually by management of Orchard Ridge and as otherwise required by either state or federal programs. If the type of independent living residence contracted for by the resident is changed at the request of the resident, such as a change from a cottage to an apartment, will be subject to the provisions of Residence and Services Agreement Section III K – Residence Change Upon Request of Resident.

### Refund of Entrance Fees

In Section II.A. of the Residence and Services Agreement, a provision is made whereby in certain instances a refund of the Entrance Fee is allowed when the agreement is terminated. The amount of such a refund is limited to the unamortized portion thereof, after the deduction of an administrative fee. In the case of couples, the unamortized portion of the

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Entrance Fee is vested in the surviving spouse.

### **Adjustment of Monthly Charges**

Monthly charges are payable in advance and are determined by the size of the residence, number of occupants in the residence and levels of service for which the resident has contracted. Any adjustment of the monthly fee or services contracted for may be made upon thirty (30) day written notice to the resident. Adjustments will be based on the costs of operations and/or changes by the resident to a different residence (Sections II.D. of the Residence and Services Agreement). Notwithstanding the foregoing, charges for care paid in one lump sum shall not be increased or changed during the duration of the agreed upon care, except for changes required by state or federal assistance programs.

### **Refunding and Amortization of Entrance Fees**

Entrance fees of residents who elect to purchase pursuant to the 90% refundable entrance fee option is refundable, less an initial deduction of 10% of the entrance fee paid upon occupancy. Entrance fees of residents who elect to purchase pursuant to the 50% refundable entrance fee option are refundable, less an initial deduction of 10% of the entrance fee paid upon occupancy and less a deduction of 5% per month for the first eight months of residency. The traditional declining entrance fee option offers a declining refund over an eighteen-month period. The refund is payable less an initial deduction of 10% of the entrance fee paid upon occupancy and less a deduction of 5% per month for the first eighteen months of residency. (See Section II.A. of the Residence and Services Agreement).

### **Other Changes in Fees**

If a resident requests and approval is given by management to move to another apartment or cottage, the resident will pay fees or receive a refund as stated in Section III.K. of the Residence and Services Agreement.

If the resident moves to the health care center for assisted living memory care or skilled nursing, the monthly fees to be paid are in accordance with Section II.F.1. of the Residence and Services Agreement.

If a resident marries after moving into the Community, the fees and other requirements are in accordance with Section III.I. of the Residence and Services Agreement.

### **RESERVE FUNDING**

Orchard Ridge offers health care benefits to its residents in Assisted Living, Assisted Living Memory Care or the Health Care Center on a fee for service basis. The residents are required to pay the then published rates for healthcare services. As such, actuarial sciences are not required to estimate funding needs since there is no actuarial obligation to provide healthcare services.

Entrance fee provisions anticipate that the refund of the refundable portion of the Entrance Fee would be paid from the resale of a similar unit upon such resale. Therefore, typical finance  
*Disclosure Statement for The Village at Orchard Ridge – Modified May10, 2023*

metrics have been used to establish liquidity.

## **FINANCIAL STATEMENTS**

Orchard Ridge is a subsidiary organization of NLCS as previously mentioned. A copy of the certified financial statement for fiscal years ending December 31, 2022 and December 31, 2021 for Orchard Ridge is included as **Attachment B**.

## **PRO FORMA INCOME STATEMENT – 2022**

**As required, a Pro Forma Income Statement for the Fiscal year ending December 31, 2022 is included as Attachment C.**

## **QUALIFICATION FOR ENTRANCE**

### **Independent Living**

Applicants are personally interviewed and assessed by the staff of the Community. Qualifications for entrance to the apartment and cottage residences, under the Residence and Services Agreement, include being at least age 60 (or age 55, if the individual is married to another Applicant at least age 60), having the ability to live independently, having no communicable disease, and meeting financial requirements. If the applicant does not have sufficient funds to pay the fees, the financial requirement will be considered to have been met by the applicant securing acceptable and adequate guarantees or financial subsidies from relatives, churches, charitable organizations, or other third parties.

### **Assisted Living Memory Care**

Applicants are personally interviewed and assessed by the staff of the Community and an independent physician according to the specifications required by the Virginia Department of Social Services. The applicant must be assessed to have a serious cognitive impairment and unable to recognize danger and protect their own safety. Applicants must also meet financial requirements and be at least 55 years old. For a couple, one spouse must be 55 or older. Admission is allowed to non-residents based on availability.

Orchard Ridge was established as a Lutheran agency to minister to the needs of the denomination's constituency and to others. Entrance is open without restriction to race, color, creed, or national origin. Benevolent assistance due to financial reversals occurring in the residents' assets may be available in accordance with the Residence and Services Agreement provided such assistance, in the Community's sole judgment, does not result from the willful or unreasonable dissipation of the resident's assets or income.

### **Health Care Center**

Admission to the Health Care Center at the Community is generally reserved for the care of residents who have contracted for continuing care services, who can no longer function independently, and who need more intensive medical and nursing care. Direct admission to the Health Care Center by non-residents will be permitted until March 31, 2024. As such, admission is allowed to non-residents without regard to age, race, color, creed, and national origin.

*Disclosure Statement for The Village at Orchard Ridge – Modified May10, 2023*

## **PROCEDURE BY WHICH A RESIDENT MAY FILE A COMPLAINT OR DISCLOSE CONCERN**

A. Resident may file a complaint or disclose any concern in writing, as follows:

- (1) The complaint or concern should first be submitted in writing to the appropriate department director, who will provide a written response within seven (7) days.
- (2) In the event the resident's complaint or concern is not resolved to the resident's satisfaction by the department director within such seven (7) day period, the resident may submit the complaint or concern in writing to the Executive Director, who will provide a written response within seven (7) days.
- (3) In the event the resident's complaint or concern is not resolved to the resident's satisfaction by the Executive Director within such seven (7) day period, the resident may submit the complaint or concern to the appropriate ombudsman.



**The Village at Orchard Ridge**  
**Pro Forma Statement of Operations for the Current Fiscal Year**

	<u>Projected 2023</u>
Net Resident Service Revenues, including amortization of entrance fees of \$4,345,500	24,460,007
	<u>24,460,007</u>
Operating Expenses:	
Salaries and Wages Expense	6,855,137
Supplies Expense	487,922
Professional Fees & Contracted Services	1,981,381
Payroll Taxes and Employee Benefits	1,397,776
Anc Svcs & Med Sup Expense	1,087,207
Food & Supplements Expense	981,084
Other Operating Expense	413,021
Licenses, Dues and Subscriptions	400,731
Utilities Expense	1,060,233
Repairs & Maintenance Expense	530,850
Insurance Expense	188,868
Advertising Expense	200,000
Depreciation Expense	6,615,772
Real Estate Tax Expense	570,000
Management Fees	1,834,501
Interest Expense	4,881,335
Bad Debt Expense	30,000
Amortization Expense	168,705
	<u>29,684,523</u>
(Deficiency) of Operating Revenue over Expenses	(5,224,517)
Other Changes:	
Investment Income , Net of Expenses	310,000
Non-Operating Income	89,255
Contributions	165,000
	<u>564,255</u>
Change in Net Assets	<u><u>(4,660,262)</u></u>
Cash Flow:	
Change in Net Assets	(4,660,262)
Add Back: Depreciation and Amortization	6,784,477
Less: Amortization of Entrance Fees	(4,345,500)
Cash from Entrance Fees	5,800,902
Principal Payments on Long Term Debt	(1,295,000)
Capital Spending	(1,400,000)
Net Purchases of Investments	(310,000)
	<u>(310,000)</u>
Net Increase in Cash and Cash Equivalents and Restricted Cash	<u><u>574,617</u></u>

## **The Village at Orchard Ridge, Inc.**

Financial Statements

December 31, 2022 and 2021

## **C O N T E N T S**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
The Village at Orchard Ridge, Inc.

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of The Village at Orchard Ridge, Inc. (Organization), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in net (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

*Baker Tilly US, LLP*

New Castle, Pennsylvania  
May 9, 2023

**THE VILLAGE AT ORCHARD RIDGE, INC.****BALANCE SHEETS****December 31, 2022 and 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,901	\$ 35,616
Accounts receivable, net	338,207	382,487
Prepaid expenses and other assets	80,319	80,831
Current portion of pledges receivable	225,390	20,500
Current portion of assets whose use is limited	3,740,084	3,691,322
<b>Total current assets</b>	<b>4,385,901</b>	<b>4,210,756</b>
 ASSETS WHOSE USE IS LIMITED, net	 <b>3,301,318</b>	 <b>3,405,269</b>
 INVESTMENTS	 <b>1,973,249</b>	 <b>2,155,689</b>
 BENEFICIAL INTEREST IN SUPPORTING ORGANIZATION	 <b>8,521,759</b>	 <b>10,839,719</b>
 PROPERTY AND EQUIPMENT, net	 <b>129,610,776</b>	 <b>135,105,603</b>
 PLEDGES RECEIVABLE, net	 -	 <b>25,453</b>
 FUNDS HELD IN TRUST BY OTHERS	 <b>23,810</b>	 <b>23,810</b>
 <b>Total assets</b>	 <b>\$ 147,816,813</b>	 <b>\$ 155,766,299</b>

*See Notes to Financial Statements*

<b>LIABILITIES AND NET (DEFICIT)</b>	<b>2022</b>	<b>2021</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable, trade	\$ 22,577	\$ 143,829
Accrued interest	2,445,084	2,481,322
Accrued expenses	961,954	1,082,462
Current portion of long-term debt	1,295,000	1,210,000
<b>Total current liabilities</b>	<b>4,724,615</b>	<b>4,917,613</b>
<b>RESIDENT DEPOSITS</b>	<b>136,005</b>	<b>228,363</b>
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	<b>28,459,533</b>	<b>28,560,152</b>
<b>REFUNDABLE ENTRANCE FEES</b>	<b>51,519,272</b>	<b>49,407,677</b>
<b>LONG-TERM DEBT, net</b>	<b>75,431,969</b>	<b>76,558,264</b>
<b>DUE TO AFFILIATES, net</b>	<b>2,683,364</b>	<b>5,808,784</b>
<b>Total liabilities</b>	<b>162,954,758</b>	<b>165,480,853</b>
<b>NET ASSETS (DEFICIT)</b>		
Without donor restrictions	(17,274,875)	(11,461,539)
With donor restrictions	2,136,930	1,746,985
<b>Total net (deficit)</b>	<b>(15,137,945)</b>	<b>(9,714,554)</b>
<b>Total liabilities and net (deficit)</b>	<b>\$ 147,816,813</b>	<b>\$ 155,766,299</b>

See Notes to Financial Statements

**THE VILLAGE AT ORCHARD RIDGE, INC.**

**STATEMENTS OF OPERATIONS**

**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>CHANGES IN NET (DEFICIT) WITHOUT DONOR RESTRICTIONS</b>		
Revenue:		
Net resident service revenue, including amortization of entrance fees 2022 \$5,833,413; 2021 \$4,306,092	\$ 23,742,809	\$ 21,389,904
Provider Relief Funds	-	30,245
Other grant funding	5,670	-
(Loss) on disposal of assets	(508,258)	-
Net assets released from restrictions, operations	8,599	19,072
<b>Total operating revenue</b>	<b>23,248,820</b>	<b>21,439,221</b>
Operating expenses:		
Salaries and wages	5,200,593	4,734,152
Employee benefits and payroll taxes	1,099,364	1,050,580
Professional fees	2,358,791	2,193,959
Ancillary and medical	978,208	947,199
Supplies	561,776	467,513
Food services	939,826	903,898
Utilities	996,886	949,753
Depreciation	6,742,157	6,868,664
Interest	5,136,890	5,247,196
Insurance	179,249	165,812
Real estate taxes	563,190	597,878
Repairs and maintenance	637,727	520,044
Advertising and marketing	119,716	195,242
Licenses, dues, and subscriptions	348,364	377,744
Other operating expenses	407,277	301,752
Bad debt expense	52,572	28,732
Management fee	1,716,805	1,693,918
<b>Total operating expenses</b>	<b>28,039,391</b>	<b>27,244,036</b>
<b>(Deficiency) of operating revenue over expenses</b>	<b>(4,790,571)</b>	<b>(5,804,815)</b>
Nonoperating revenue (expense):		
Contributions	18,217	5,162
Interest and dividends	364,225	341,368
Realized gains	617,958	652,411
Unrealized gains (losses)	(2,123,602)	1,113,919
Other income	76,264	109,375
<b>Total nonoperating revenue (expense)</b>	<b>(1,046,938)</b>	<b>2,222,235</b>
<b>(Deficiency) of operating and nonoperating revenue over expenses</b>	<b>(5,837,509)</b>	<b>(3,582,580)</b>
Other changes:		
Unrealized gains	24,173	59,334
Net assets released from restrictions, capital purchases	-	9,365
<b>Total other changes</b>	<b>24,173</b>	<b>68,699</b>
<b>Change in net (deficit) without donor restrictions</b>	<b>\$ (5,813,336)</b>	<b>\$ (3,513,881)</b>

*See Notes to Financial Statements*



**THE VILLAGE AT ORCHARD RIDGE, INC.**

**STATEMENTS OF CHANGES IN NET (DEFICIT)**

**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
CHANGES IN NET (DEFICIT) WITHOUT DONOR RESTRICTIONS		
(Deficiency) of operating and nonoperating revenue		
over expenses	\$ (5,837,509)	\$ (3,582,580)
Unrealized gains	24,173	59,334
Net assets released from restrictions, capital purchases	-	9,365
<b>Change in net (deficit) without donor restrictions</b>	<b>(5,813,336)</b>	<b>(3,513,881)</b>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	398,544	266,909
Net assets released from restrictions	(8,599)	(28,437)
<b>Change in net assets with donor restrictions</b>	<b>389,945</b>	<b>238,472</b>
<b>Change in net (deficit)</b>	<b>(5,423,391)</b>	<b>(3,275,409)</b>
Net (deficit):		
Beginning	(9,714,554)	(6,439,145)
Ending	\$ (15,137,945)	\$ (9,714,554)

*See Notes to Financial Statements*

**THE VILLAGE AT ORCHARD RIDGE, INC.**

**STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net (deficit)	\$ (5,423,391)	\$ (3,275,409)
Adjustments to reconcile change in net (deficit) to net cash provided by operating activities:		
Depreciation	6,742,157	6,868,664
Provision for bad debts	52,572	28,732
Loss on disposal of assets	508,258	-
Amortization of deferred financing costs	168,705	167,874
Amortization of entrance fees	(5,833,413)	(4,306,092)
Proceeds from non-refundable entrance fees	6,134,214	4,171,858
Realized (gains)	(617,958)	(652,411)
Unrealized (gains) losses	2,099,429	(1,173,253)
Change in value of funds held in trust by others	-	(23,810)
Changes in assets and liabilities:		
Accounts receivable	(8,292)	(148,888)
Prepaid expenses and other assets	512	39,681
Accounts payable and accrued expenses	(277,998)	(305,451)
Refundable advances	-	(221,445)
<b>Net cash provided by operating activities</b>	<b>3,544,795</b>	<b>1,170,050</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases of investments and assets whose use is limited	(252,734)	(311,364)
Purchases of property and equipment	(1,755,588)	(809,239)
<b>Net cash (used in) investing activities</b>	<b>(2,008,322)</b>	<b>(1,120,603)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(1,210,000)	(1,355,000)
Payments for financing costs	-	(38,232)
Proceeds from refundable entrance fees, turnover units	3,578,187	3,943,240
Refunds of entrance fees	(1,868,012)	(5,201,151)
Net change in resident deposits	(92,358)	(173,107)
Change in pledges receivable, net	(179,437)	31,426
Change in due to affiliates, net	(1,820,420)	334,918
<b>Net cash (used in) financing activities</b>	<b>(1,592,040)</b>	<b>(2,457,906)</b>
<b>Net (decrease) in cash and cash equivalents and restricted cash</b>	<b>(55,567)</b>	<b>(2,408,459)</b>
Cash and cash equivalents and restricted cash:		
Beginning	7,997,151	10,405,610
Ending	<b>\$ 7,941,584</b>	<b>\$ 7,997,151</b>
Cash and cash equivalents and restricted cash include:		
Cash and cash equivalents	\$ 1,901	\$ 35,616
Assets held under trust indenture	7,041,402	7,096,591
Cash, restricted by donors or grantors for specific purposes	898,281	864,944
	<b>\$ 7,941,584</b>	<b>\$ 7,997,151</b>

*See Notes to Financial Statements*

	2022	2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 5,004,423</u>	<u>\$ 4,994,108</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Beneficial interest in supporting organization	<u>\$ (1,305,000)</u>	<u>\$ (4,600,000)</u>

*See Notes to Financial Statements*

## THE VILLAGE AT ORCHARD RIDGE, INC.

### NOTES TO FINANCIAL STATEMENTS

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

**Nature of Organization:** The Village at Orchard Ridge, Inc. (Organization), a Virginia not-for-profit corporation, operates a continuing care retirement community in Winchester, Virginia. The community opened during February 2013 and now consists of 308 independent living units, 20 skilled nursing units, and 17 assisted living units, and 18 assisted living memory care units.

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

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

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

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

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

**Accounts receivable:** Accounts receivable from residents are reported at estimated net realizable value taking into account estimated implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in health care coverage, and other collection indicators. For receivables associated with services provided to residents who have third-party coverage (which includes deductible and payment balances for which third-party coverage exists for part of the bill), the Organization analyzes contractually due amounts and provides an allowance for explicit price concessions, if necessary. Throughout the year, management assesses the adequacy of the estimated price concessions based upon its review of accounts receivable payor composition and aging, taking into consideration recent experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to patient and resident service revenue and to establish an appropriate estimate for price concessions. The Organization has included a reserve within the estimated implicit price concessions of \$65,348 and \$25,239 as of December 31, 2022 and 2021, respectively, which have been recorded as reductions to resident accounts receivable.

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

## THE VILLAGE AT ORCHARD RIDGE, INC.

### NOTES TO FINANCIAL STATEMENTS

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

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

**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). The Organization's capitalization policy is to review invoices in excess of \$5,000 to determine if they should be capitalized. The general range of estimated useful lives is five to twenty years for furniture and equipment and fifteen to forty years for buildings and building and land improvements. Expenditures that extend the useful lives of the asset or significantly increase their capacity are capitalized. The Organization follows the policy of capitalizing interest as a component of the cost of the asset acquired or constructed.

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 \$4,000 and \$12,000 as of December 31, 2022 and 2021, respectively.

**Entrance fees:** The Organization's policy requires payment of an entrance fee for admittance to an independent living residence under a type C fee-for-service contract. The Organization currently offers a traditional entrance fee, 50% guaranteed refund, and a 90% guaranteed entrance fee option. The refundable portion of the traditional entrance fee is calculated based on an 18 month amortization period after applying a 10% administrative fee. After 18 months of occupancy, no refund is payable to the resident. The refundable portion of the 50% entrance fee is calculated based on an 8 month amortization period after applying a 10% administrative fee. After 8 months of occupancy, the refund payable to the resident is limited to 50% of the entrance fee. The 90% entrance fee is fully refundable, less an initial 10% administrative charge. Contracts containing varying refund provisions no longer offered by the Organization to new residents remain in force.

The non-refundable portion of the entrance fees are accounted for as deferred revenue from entrance fees and are amortized into earned revenue using the straight-line method over the estimated remaining life of the residents over the contractual term of the contract. At the time of death or contract termination, the remaining nonrefundable balance is recognized as revenue. The remaining life expectancy of the residents is adjusted annually based on actuarial information. The refundable portion of the entrance fees is not amortized into income and is reported as refundable entrance fees liability. Contractual refund obligations amounted to \$51,519,272 and \$49,407,677 as of December 31, 2022 and 2021, respectively.

The Organization also has a rental agreement requiring no entrance fee on select independent living units, but a one-time community fee of \$3,000 applies.

## THE VILLAGE AT ORCHARD RIDGE, INC.

### NOTES TO FINANCIAL STATEMENTS

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**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 \$168,705 and \$167,874 for the years ended December 31, 2022 and 2021, respectively. Accumulated amortization was \$1,443,533 and \$1,274,828 as of December 31, 2022 and 2021, respectively.

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

Net assets (deficit) 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 (deficit) 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 deficit without donor restrictions.

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

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

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

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

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

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

# THE VILLAGE AT ORCHARD RIDGE, INC.

## NOTES TO FINANCIAL STATEMENTS

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

Revenue from nonrefundable entrance fees received are 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 amounted to \$5,833,413 and \$4,306,092 for the years ended December 31, 2022 and 2021, respectively.

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

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

	2022				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 1,825,059	\$ 1,897,174	\$ 12,378,434	\$ 76,683	\$ 16,177,350
Medicare	1,475,021	-	-	-	1,475,021
Medicaid	35,812	-	-	-	35,812
Commercial insurance	221,213	-	-	-	221,213
Amortization of nonrefundable entrance fees	-	-	5,833,413	-	5,833,413
<b>Total</b>	<b>\$ 3,557,105</b>	<b>\$ 1,897,174</b>	<b>\$ 18,211,847</b>	<b>\$ 76,683</b>	<b>\$ 23,742,809</b>
	2021				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 1,134,833	\$ 1,821,071	\$ 12,451,387	\$ 72,349	\$ 15,479,640
Medicare	1,365,797	-	-	-	1,365,797
Medicaid	-	-	-	-	-
Commercial insurance	238,375	-	-	-	238,375
Amortization of nonrefundable entrance fees	-	-	4,306,092	-	4,306,092
<b>Total</b>	<b>\$ 2,739,005</b>	<b>\$ 1,821,071</b>	<b>\$ 16,757,479</b>	<b>\$ 72,349</b>	<b>\$ 21,389,904</b>

## THE VILLAGE AT ORCHARD RIDGE, INC.

### NOTES TO FINANCIAL STATEMENTS

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

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

**Medical Assistance:** Under the 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.

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

Payment terms and conditions for the Organization's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenue for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenue for ancillary services are 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:** The Organization expenses advertising costs as incurred. Advertising expense totaled \$119,716 and \$195,242 for the years ended December 31, 2022 and 2021, respectively.

**(Deficiency) of operating and nonoperating revenue over expenses:** The statements of operations include the determination of (deficiency) of operating and nonoperating revenue over expenses as the performance indicator. Changes in net (deficit) without donor restrictions, which are excluded from the performance indicator, consistent with industry practice, include unrealized gains on alternative investments measured at NAV and net assets released from restrictions used for capital purchases.

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

Accounting principles generally accepted in the United States of America require an organization to evaluate tax positions taken by the organization and recognize a tax liability or asset if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). The Organization has concluded that as of December 31, 2022 and 2021, 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, 2019, and thereafter remain subject to examination by federal and state tax authorities.

**Reclassifications:** Certain reclassifications have been made to the 2021 financial statements to conform to the presentation used in 2022.

**Subsequent events:** The Organization has evaluated subsequent events for recognition and disclosure through May 9, 2023, which is the date the financial statements were issued.



## THE VILLAGE AT ORCHARD RIDGE, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Recent Accounting Pronouncement

##### **ASU No. 2016-13—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and Other ASUs Issued Amending Topic 326**

During June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Various clarifications and amendments were issued from 2018 – 2020. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its balance sheets, results of operations, and cash flows.

#### **Note 2. Liquidity and Availability of Resources**

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

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,901	\$ 35,616
Accounts receivable	338,207	382,487
Investments	1,973,249	2,155,689
Beneficial interest in supporting organization	8,521,759	10,839,719
<b>Total financial assets</b>	<b>\$ 10,835,116</b>	<b>\$ 13,413,511</b>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments. Certain of the donor purpose restricted funds may be utilized as the restrictions are satisfied.

#### **Note 3. Concentrations of Credit Risk**

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

	2022	2021
Medicare	38 %	44 %
Commercial	31	34
Self-pay	28	22
Medicaid	3	-
	<b>100 %</b>	<b>100 %</b>

# THE VILLAGE AT ORCHARD RIDGE, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Fair Value Measurements

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

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

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

	2022			
	Carrying Value	Fair Value	Level I	Level II
Reported at fair value:				
Assets:				
Investments, beneficial interest in supporting organization, and assets whose use is limited:				
Cash and cash equivalents	\$ 7,068,677	\$ 7,068,677	\$ 7,068,677	\$ -
Equity securities	206,080	206,080	206,080	-
Mutual funds	1,635,179	1,635,179	1,635,179	-
Exchange traded funds	38,638	38,638	-	38,638
Bonds	66,077	66,077	-	66,077
Beneficial interest in supporting organization	7,842,386	7,842,386	4,794,775	3,047,611
<b>Total</b>	<b>16,857,037</b>	<b>16,857,037</b>	<b>\$ 13,704,711</b>	<b>\$ 3,152,326</b>
Beneficial interest in supporting organization alternative investment measured at NAV	679,373	679,373		
<b>Total assets</b>	<b>\$ 17,536,410</b>	<b>\$ 17,536,410</b>		
Disclosed at fair value:				
Pledges receivable, net	\$ 225,390	\$ 225,390	\$ -	\$ 225,390

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

	2021			
	Carrying Value	Fair Value	Level I	Level II
Reported at fair value:				
Assets:				
Investments, beneficial interest in supporting organization, and assets whose use is limited:				
Cash and cash equivalents	\$ 7,130,650	\$ 7,130,650	\$ 7,130,650	\$ -
Equity securities	272,478	272,478	272,478	-
Mutual funds	1,725,762	1,725,762	1,725,762	-
Exchange traded funds	41,861	41,861	-	41,861
Bonds	81,529	81,529	-	81,529
Beneficial interest in supporting organization	10,299,754	10,299,754	7,942,602	2,357,152
<b>Total</b>	<b>19,552,034</b>	<b>19,552,034</b>	<b>\$ 17,071,492</b>	<b>\$ 2,480,542</b>
Beneficial interest in supporting organization alternative investment measured at NAV	539,965	539,965		
<b>Total assets</b>	<b>\$ 20,091,999</b>	<b>\$ 20,091,999</b>		
Disclosed at fair value:				
Pledges receivable, net	\$ 45,953	\$ 45,953	\$ -	\$ 45,953

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

Certain investments are combined with related organizations and are referred to as "Beneficial Interest in Supporting Organization" investments. Approximately 13.09% and 12.89% of the combined investments are attributable to the Organization as of December 31, 2022 and 2021, respectively. The percentage of combined investments is calculated based on a monthly cost basis adjusted for any deposits or withdrawals specific to the Organization. Investment income is also based on this allocation.

**THE VILLAGE AT ORCHARD RIDGE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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

	2022			
	Carrying Value	Fair Value	Level I	Level II
Beneficial interest in supporting organization:				
Cash and cash equivalents	\$ 620,143	\$ 620,143	\$ 620,143	\$ -
Equity securities:				
Consumer discretionary	732,804	732,804	732,804	-
Consumer staples	532,758	532,758	532,758	-
Energy	427,216	427,216	427,216	-
Financial	654,940	654,940	654,940	-
Health care	419,524	419,524	419,524	-
Industrials	588,502	588,502	588,502	-
Information technology	426,090	426,090	426,090	-
Materials	26,682	26,682	26,682	-
Real estate	182,066	182,066	182,066	-
Utilities	158,183	158,183	158,183	-
Other	9,910	9,910	9,910	-
Mutual funds:				
Fixed income	-	-	-	-
Equity	15,957	15,957	15,957	-
Fixed income securities:				
Corporate bonds	1,307,460	1,307,460	-	1,307,460
U.S. government and agency bonds	1,740,151	1,740,151	-	1,740,151
<b>Subtotal</b>	<b>7,842,386</b>	<b>7,842,386</b>	<b>\$ 4,794,775</b>	<b>\$ 3,047,611</b>
Alternative investment measured at NAV	679,373	679,373		
<b>Total</b>	<b>\$ 8,521,759</b>	<b>\$ 8,521,759</b>		

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

	2021			
	Carrying Value	Fair Value	Level I	Level II
Beneficial interest in supporting organization:				
Cash and cash equivalents	\$ 393,866	\$ 393,866	\$ 393,866	\$ -
Equity securities:				
Consumer discretionary	1,504,002	1,504,002	1,504,002	-
Consumer staples	468,746	468,746	468,746	-
Energy	452,113	452,113	452,113	-
Financial	962,103	962,103	962,103	-
Health care	700,936	700,936	700,936	-
Industrials	440,431	440,431	440,431	-
Information technology	1,039,126	1,039,126	1,039,126	-
Materials	223,611	223,611	223,611	-
Real estate	468,707	468,707	468,707	-
Utilities	222,386	222,386	222,386	-
Other	7,628	7,628	7,628	-
Mutual funds:				
Fixed income	563,884	563,884	563,884	-
Equity	495,063	495,063	495,063	-
Fixed income securities:				
Corporate bonds	1,281,846	1,281,846	-	1,281,846
U.S. government and agency bonds	1,075,306	1,075,306	-	1,075,306
<b>Subtotal</b>	<b>10,299,754</b>	<b>10,299,754</b>	<b>\$ 7,942,602</b>	<b>\$ 2,357,152</b>
Alternative investment measured at NAV	539,965	539,965		
<b>Total</b>	<b>\$ 10,839,719</b>	<b>\$ 10,839,719</b>		

The Organization has no financial assets or liabilities that are recorded at fair value on a nonrecurring basis. There were no transfers between Level I, Level II, or Level III during the years ended December 31, 2022 or 2021.

The following methods have been used by the Organization in estimating the fair value on a recurring basis of its financial instruments. There have been no changes in the methodologies used as of December 31, 2022 or 2021:

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

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

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

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

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

# THE VILLAGE AT ORCHARD RIDGE, INC.

## NOTES TO FINANCIAL STATEMENTS

**Alternative investment:** Alternative investment is comprised of a hedge fund. The Organization measures the fair value of the alternative investment based on net asset value (NAV) as calculated on the reporting entity's measurement date. The Organization measures the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV of the Organization as of the valuation date. In using the NAV as a practical expedient, certain attributes of the investment, that may impact the fair value of the investment, are not considered in measuring fair value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date at NAV as well as any unfunded commitments. The Organization's share of the beneficial interest in supporting organization's alternative investments as of December 31, 2022 and 2021, was \$679,373 and \$539,965, respectively. The investment strategy for Ironwood Institutional Multi-Strategy Fund (Fund) is capital appreciation with limited variability of returns. The Fund invests exclusively in other private investment companies, which invests substantially all of its assets in hedge funds and other similar investment vehicles that are managed by a select group of portfolio managers who invest in a variety of financial markets and utilize a broad range of alternative investment strategies. There were no unfunded commitments as of December 31, 2022 or 2021, and there is a monthly or quarterly redemption notice of 15 - 120 days.

**Pledges receivable:** Valued based on the original pledge amounts, adjusted by a discount rate that a market participant would demand and an evaluation for uncollectable pledges.

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

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

	2022	2021
Investments	\$ 1,973,249	\$ 2,155,689
Beneficial interest in supporting organization	\$ 8,521,759	\$ 10,839,719
Assets held under trust indenture (2011 bonds):		
Debt service reserve	\$ 1,694,654	\$ 1,671,255
Interest	1,217,328	1,223,166
Principal	781,294	863,929
Assets held under trust indenture (2014 bonds):		
Debt service reserve	2,064,202	2,035,700
Interest	1,283,924	1,302,541
	7,041,402	7,096,591
Less current portion	(3,740,084)	(3,691,322)
<b>Assets whose use is limited, net</b>	<b>\$ 3,301,318</b>	<b>\$ 3,405,269</b>

**THE VILLAGE AT ORCHARD RIDGE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Property and Equipment**

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

	2022	2021
Land	\$ 14,870,825	\$ 14,870,825
Land improvements	11,815,830	11,815,830
Buildings and building improvements	147,540,832	146,654,423
Furniture and equipment	10,539,440	10,382,452
Construction in progress	78,798	187,641
	<u>184,845,725</u>	<u>183,911,171</u>
Less accumulated depreciation	<u>(55,234,949)</u>	<u>(48,805,568)</u>
	<u><u>\$ 129,610,776</u></u>	<u><u>\$ 135,105,603</u></u>

In December 2022, the Organization incurred water damages as a result of inclement weather. The damages resulted in a loss on disposal of assets amounting to \$508,258, which is included on the statements of operations for the year ended December 31, 2022.

**Note 7. Long-Term Debt**

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

	2022	2021
Series 2011A Residential Care Facility Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through July 2045. Interest is payable at a fixed rate of 6.50 percent through maturity.	\$ 37,125,000	\$ 37,635,000
Series 2014A Residential Care Facility Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through July 2049. Interest is payable at a fixed rate of 6.00 percent through maturity.	34,150,000	34,655,000
Series 2014B Residential Care Facility Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through July 2049. Interest is payable at a fixed rate of 4.63 percent through maturity.	9,245,000	9,440,000
	<u>80,520,000</u>	<u>81,730,000</u>
Less current portion	1,295,000	1,210,000
Less deferred financing costs, net of accumulated amortization	<u>3,793,031</u>	<u>3,961,736</u>
<b>Total long-term debt, net</b>	<u><u>\$ 75,431,969</u></u>	<u><u>\$ 76,558,264</u></u>

## THE VILLAGE AT ORCHARD RIDGE, INC.

### NOTES TO FINANCIAL STATEMENTS

As security for the payment of the bonds, the Organization granted a lien and security interest in the mortgaged premises and assigned all their respective pledged assets, including gross receipts, inventory, accounts receivables, contracts rights, general intangibles, and other as defined in the documents. 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. During 2021, a debt modification of the 2014 A and B bonds was executed. The debt modification lowered interest rates and modified the future amortization of the debt.

The Organization is required to comply with certain debt covenants in connection with the aforementioned long-term debt. Management believes they are in compliance with all covenants as of December 31, 2022 and 2021.

Annual aggregate maturities of long-term debt for the next five years and thereafter are as follows as of December 31, 2022:

#### Years Ending December 31:

2023	\$ 1,295,000
2024	1,380,000
2025	1,440,000
2026	1,535,000
2027	1,645,000
Thereafter	73,225,000
	<u>\$ 80,520,000</u>

#### Note 8. Net Assets (Deficit)

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

	2022	2021
Net assets (deficit):		
Without donor restrictions:		
Undesignated	<u>\$ (17,274,875)</u>	<u>\$ (11,461,539)</u>
With donor restrictions:		
Purpose restricted for:		
Operations	602,200	349,129
Capital projects	515,743	515,811
Restricted in perpetuity	<u>1,018,987</u>	<u>882,045</u>
	<u>2,136,930</u>	<u>1,746,985</u>
<b>Total net (deficit)</b>	<u><b>\$ (15,137,945)</b></u>	<u><b>\$ (9,714,554)</b></u>

For the years ended December 31, 2022 and 2021, net assets of \$8,599 and \$28,437, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes.

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



# THE VILLAGE AT ORCHARD RIDGE, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Related Party Transactions

NLI is the sole member of the Organization and provides support in the form of management and support services in exchange for management fees and provides additional capital support when needed. The Organization incurred management fees to NLI totaling \$1,716,805 and \$1,693,918 for the years ended December 31, 2022 and 2021, respectively.

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

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

	2022	2021
National Lutheran, Inc. (Parent)	\$ 2,583,364	\$ 5,808,784
National Lutheran Home for the Aged, Inc.	100,000	-
	<u>\$ 2,683,364</u>	<u>\$ 5,808,784</u>

### Note 10. Expenses by Nature and Function

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

	2022		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 4,662,555	\$ 538,038	\$ 5,200,593
Employee benefits and payroll taxes	1,005,197	94,167	1,099,364
Professional fees	2,056,442	302,349	2,358,791
Ancillary and medical	978,208	-	978,208
Supplies	533,145	28,631	561,776
Food services	901,801	38,025	939,826
Utilities	993,001	3,885	996,886
Depreciation	6,742,157	-	6,742,157
Interest	4,968,185	168,705	5,136,890
Insurance	179,249	-	179,249
Real estate taxes	563,190	-	563,190
Repairs and maintenance	613,574	24,153	637,727
Advertising and marketing	119,716	-	119,716
Licenses, dues, and subscriptions	84,560	263,804	348,364
Other operating expenses	306,888	100,389	407,277
Bad debt expense	52,572	-	52,572
Management fee	-	1,716,805	1,716,805
<b>Total</b>	<u>\$ 24,760,440</u>	<u>\$ 3,278,951</u>	<u>\$ 28,039,391</u>

**THE VILLAGE AT ORCHARD RIDGE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

	2021		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 4,227,091	\$ 507,061	\$ 4,734,152
Employee benefits and payroll taxes	1,015,121	35,459	1,050,580
Professional fees	1,885,218	308,741	2,193,959
Ancillary and medical	947,199	-	947,199
Supplies	442,509	25,004	467,513
Food services	899,986	3,912	903,898
Utilities	947,180	2,573	949,753
Depreciation	6,868,664	-	6,868,664
Interest	5,079,322	167,874	5,247,196
Insurance	165,812	-	165,812
Real estate taxes	597,878	-	597,878
Repairs and maintenance	507,632	12,412	520,044
Advertising and marketing	195,242	-	195,242
Licenses, dues, and subscriptions	114,605	263,139	377,744
Other operating expenses	205,573	96,179	301,752
Bad debt expense	28,732	-	28,732
Management fee	-	1,693,918	1,693,918
<b>Total</b>	<b>\$ 24,127,764</b>	<b>\$ 3,116,272</b>	<b>\$ 27,244,036</b>

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

**Note 11. Benevolent Care**

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

The Organization maintains records to identify and monitor the level of benevolent care it provides. The estimated cost of providing benevolent care is based upon the direct and indirect costs identified with the specific benevolent care provided. The cost of benevolent care provided amounted to \$16,100 and \$0 for the years ended December 31, 2022 and 2021, respectively. Benevolent care related to the Medicaid program amounted to approximately \$12,300 and \$0 for the years ended December 31, 2022 and 2021, respectively. The Organization received contributions of approximately \$137,000 and \$221,000 for the years ended December 31, 2022 and 2021, respectively, to offset or subsidize benevolent care services provided.

**Note 12. Pension Plan**

The Organization participates in a 403(b) defined contribution plan (Plan). The Plan states the Organization shall make a Safe Harbor contribution in an amount equal to 100% of each employee's contribution, up to a maximum of 3% of such participant's compensation. In addition, the Organization will contribution 50% of each employee's contribution up to the next 2% of such participant's compensation for each payroll period. All participating employees' contributions are 100% vested and employer contributions are vested at 20% per year to 100% after five years. Employer contributions totaled \$59,095 and \$65,552 for the years ended December 31, 2022 and 2021, respectively, and are recorded in employee benefits and payroll taxes on the statements of operations.

## THE VILLAGE AT ORCHARD RIDGE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 13. Medical Malpractice and General Liability Claims Coverage**

The Organization participates in a reciprocal risk retention group (RRRG) through National Lutheran, Inc. (Parent). The coverage is provided on a claims-made basis. Medical malpractice and general liability coverages were provided for the Organization in the amount of \$1,000,000 per event and \$3,000,000 per annual aggregate. Each claim has a \$50,000 self-insured retention, prior to the primary insurance coverage. The Organization also has an excess umbrella policy for general liability coverage. The excess umbrella limit is \$15,000,000 in the aggregate. The Organization funds any potential accrued claims incurred but not reported liability through the premiums paid to the RRRG. As of December 31, 2022, no such adjustments to premiums are deemed necessary.

#### **Note 14. Contingencies**

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and 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 repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effect of this matter on the Organization, if any, is not presently determinable.

The Organization entered into certain commitments in March 2022, relative to a Solar Project that management believes will deliver energy savings to the Organization. Site development and other construction was completed as of December 31, 2022. Utility interconnection was completed during the first quarter of 2023. The future impact in savings is currently unknown.

#### **Note 15. COVID-19 Pandemic**

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

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

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

**U.S. Department of Health and Human Services (HHS) Provider Relief Fund:** During the year ended December 31, 2021, the Organization received funds through the HHS PRF program established by the CARES Act in the amount of \$54,642. No such funds were received in 2022. According to guidance provided by the HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by the HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenue or COVID-19 expenses, the funds must be returned to the HHS.

## THE VILLAGE AT ORCHARD RIDGE, INC.

### NOTES TO FINANCIAL STATEMENTS

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Based on the Organization's calculation of lost revenue and COVID-19 expenses, the Organization recognized \$30,245 as Provider Relief Funds during the year ended December 31, 2021. During 2021, \$227,000 was allocated back to the parent, NLI. The Organization has utilized all available current information in determining the proper utilization and accounting for these funds.

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

The Organization applied for and received \$361,609 in 2020. Due to the Recoupment and Reconciliation process of this program, takebacks during the years ended December 31, 2022 and 2021, amounted to \$134,304 and \$227,305, leaving a remaining balance of \$0 as of December 31, 2022.

#### **Note 16. Subsequent Event**

As stated in Note 6, the Organization incurred damages as a result of inclement weather in December 2022. The total loss was recognized in 2022; however, there will be additional costs incurred during 2023 related to water and mold remediation services, as well as capital expenditures to rebuild damaged units. The assessment is on-going, but current expenditure estimates are approaching total costs of \$3 million. The Organization's insurance is expected to cover all costs in excess of their \$50,000 deductible.