



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: April 15, 2024

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 April 15, 2024 were as follows:

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

Secretary/Treasurer: Joesph Duda
310 Lynn Drive
Stephens City, VA 22655
304-276-9547

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 2024 are as follows:

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

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

Joseph Duda
310 Lynn Drive
Stephens City, VA 22655

Rev. David Young
202 Fairway Circle
Cross Junction, VA 22625

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

Disclosure Statement for The Village at Orchard Ridge – Modified April 15, 2024

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, Fearington 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.

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 Philips

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.

Joseph Duda

Joseph (Joe) Duda, R.Ph. Joe is an outcome driven executive with over 25 years of diverse pharmaceutical experience spanning hospital pharmacy, retail pharmacy, formulation development, product manufacturing, and portfolio commercialization. Joe has held several senior leadership positions for both generic prescription and consumer health business units. His distinct career has established a solid understanding of P&L management, portfolio contracting, and product distribution through all major sales channels including retail, wholesale, mail-order, and online. Joe's pharmaceutical career is extensive and unique. Each new role provided an opportunity to expand his knowledge, fill leadership positions, and make a valuable impact on himself and others. In 1996, as a Mylan formulation chemist, Joe began developing a matrix based generic formulation for a narrow therapeutic drug. Later, when Joe was selected to lead the pricing and contracts department, he had the rare opportunity to manage customer contracting for the same product. The matrix formulation that Joe developed was so robust, that he was named an inventor on two U.S. patents. Further, because the matrix platform was extremely versatile, it supported Joe's proposal to executive leadership to develop a new branded product, Phenytek®, which Mylan's Bertek division sold. In 2013, Joe was named President of Mylan Pharmaceuticals, a generic drug division consisting of approximately 250 products generating over \$2 billion of annual revenue. Three years later, Joe was designated President of Meda Consumer Healthcare, a newly acquired consumer health business. In less than one year, Joe integrated Meda into Mylan, hired needed sales and marketing talent, and secured a partner to facilitate order to cash operations and product distribution. While leading the consumer health business, his team created two TV commercials and added a new brand, Cold-EEZE®, to the product line. Joe attributes much of his success to his time in the U.S. Marine Corps and a passion and innate ability to identify deliverables, develop plans, and lead teams through

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various projects including commercial sales operations, product launches and portfolio life-cycle management. Joe completed a BS in Pharmacy and MBA from West Virginia University and is a licensed pharmacist in West Virginia, Florida, and Pennsylvania. Joe has been a contributor to several professional organizations including a board position for the Generic Pharmaceutical Association, an industry relations council advisor for the Healthcare Distribution Management Association, and a member of West Virginia University MBA Advisory Council. Currently, Joe is a member of the Marine Corps League, local BNI chapter and Chamber of Commerce, and an affiliate of the Blue Ridge Association of Realtors. Currently, Joe is an owner of a Virginia Junkluggers franchise and the Executive in Residence at Intermed Labs, a medical device innovation lab and startup studio

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. Steven Nastasi, *Executive Director*

Steven Nastasi joined The Village at Orchard Ridge in November 2023 as Executive Director.

With more than 20 years of experience in working with older adults, Steven brings a wealth of knowledge and is excited for the opportunity to share his expertise and unwavering commitment to resident satisfaction, team member engagement and community growth with the Orchard Ridge community.

Prior to joining The Village at Orchard Ridge, Steven held many director-level positions, including activity director, food service director, business office manager, assisted living manager, senior executive director, and regional director of operations. His experience and exposure to the operations of each of these areas has provided him the opportunity to understand the unique qualities of the departments' functions.

Originally from Chicago, Illinois, Steven moved to Houston, Texas where he earned his Bachelor and Master of Business Administration degrees from the University of Houston.

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. Joseph Duda
President/CEO:	Ms. Cynthia A. Walters

Directors of Orchard Ridge nor of its parent and related corporations, except for the 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

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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 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

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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.
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.

e.

MEDICAL ASSISTANCE

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

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, whether for single or double occupancy.

Listed below are the current fees effective January 1, 2024 (including Entrance Fees and Monthly Charges) required of residents entering the Community under the Residence and Services Agreement:

APARTMENTS -

			MONTHLY SERVICE FEE	TRADITIONAL DECLINING ENTRANCE FEE	50% REFUNDABLE ENTRANCE FEE	90% REFUNDABLE ENTRANCE FEE
RESIDENCE	HOME STYLE	SQ FT				
The Cameo	1 bed, 1 bath	786	\$2,725	\$251,460	\$330,370	\$504,800
The Cortland	1 bed, 1.5 bath	790	\$2,806	\$261,260	\$343,290	\$524,290
The Wellington	1 bed, 1 bath	892	\$2,835	\$281,850	\$370,300	\$565,810
The Geneva	1 bed, 1.5 bath, den	938	\$2,883	\$285,470	\$375,040	\$573,100
The Braeburn	1 bed, 1.5 bath, den	949	\$2,883	\$298,020	\$391,570	\$598,290

The York	2 bed, 2 bath	1,170	\$3,334	\$365,990	\$480,850	\$671,760
The Winesap	2 bed, 2 bath	1,173	\$3,334	\$375,310	\$493,050	\$717,590
The McIntosh	2 bed, 2 bath	1,187	\$3,366	\$379,720	\$498,880	\$725,900
The McIntosh II	2 bed, 2 bath	1,223	\$3,472	\$379,720	\$498,880	\$725,900
The Melrose	2 bed, 2 bath	1,311	\$3,523	\$398,020	\$522,930	\$760,980
The Gala	2 bed, 2 bath	1,311	\$3,523	\$402,600	\$528,930	\$769,730
The Rome	2 bed, 2 bath	1,368	\$3,607	\$407,180	\$534,950	\$778,470
The Beacon	2 bed, 2 bath, den	1,497	\$3,685	\$432,070	\$563,290	\$826,050
The Empire	2 bed, 2 bath, den	1,502	\$3,847	\$444,680	\$574,850	\$850,200
Second Person Fee			\$840	\$8,890	\$12,575	\$18,355
RESIDENCE	HOME STYLE	SQ FT	MONTHLY SERVICE FEE	50% REFUNDABLE ENTRANCE FEE	90% REFUNDABLE ENTRANCE FEE	
The Mulberry	2 bed, 2 bath	1,339	\$3,685	\$509,460	\$759,600	
The Dogwood	2 bed, 2 bath	1,355	\$4,005	\$560,380	\$835,560	
The Redbud	2 bed, 2 bath	1,533	\$4,166	\$597,060	\$890,070	
The Sycamore	2 bed, 2 bath	1,664	\$4,326	\$612,610	\$913,330	
The Aspen	2 bed, 2 bath, den	1,686	\$4,486	\$627,500	\$935,480	
The Hickory	2 bed, 2 bath, den	1,712	\$4,647	\$642,910	\$958,550	
Second Person Fee			\$840	\$12,575	\$18,355	

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.

2024 Assisted Living Monthly Rates:

- Level 1 average; (based on floor plan and level of care): \$8,430
- Level 2 average; (based on floor plan and level of care): \$9,101
- Level 3 average; (based on floor plan and level of care): \$9,772
- Second person fee average; (based on floor plan and level of care): \$2,784
- One-time Community Fee: \$3,000; Second person Community Fee \$750

Assisted Living Memory Care Neighborhood:

- Level 1: (0-2 dependencies in activities of daily living)
Private \$9,709/month Semi-private \$8,417/month
- Level 2: (3-4 dependencies in activities of daily living)
Private \$10,411/month Semi-private \$9,159/month
- Level 3: (5+ dependencies in activities of daily living)
Private \$11,117/month Semi-private
private
\$9,826/month

h There is a one-time new resident community
fee of \$3,000

Pricing is effective January 1, 2024 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 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 *Disclosure Statement for The Village at Orchard Ridge – Modified April 15, 2024*

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 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, 2023 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, 2023 is included as Attachment C.

QUALIFICATION FOR ENTRANCE

Independent Living

Disclosure Statement for The Village at Orchard Ridge – Modified April 15, 2024

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.

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.

Amendment A

The Village at Orchard Ridge, Inc.

Financial Statements

December 31, 2023 and 2022

The Village at Orchard Ridge, Inc.

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December 31, 2023 and 2022

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of The Village at Orchard Ridge, Inc. (TVOR), which comprise the balance sheets as of December 31, 2023 and 2022, 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 TVOR as of December 31, 2023 and 2022, 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 TVOR 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 TVOR'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 TVOR'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 TVOR'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
March 29, 2024

December 31, 2023 and 2022

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The Village at Orchard Ridge, Inc.**Statements of Operations**

Years Ended December 31, 2023 and 2022

	2023	2022
Changes in Net Deficit Without Donor Restrictions		
Revenue:		
Net resident service revenue, including amortization of entrance fees 2023 \$4,140,952; 2022 \$5,833,413	\$ 24,212,660	\$ 23,742,809
Grant funding	8,996	5,670
Loss on disposal of assets	(2,390)	(508,258)
Net assets released from restrictions, operations	242,707	8,599
Total operating revenue	24,461,973	23,248,820
Operating expenses:		
Salaries and wages	6,481,440	5,200,593
Employee benefits and payroll taxes	1,265,233	1,099,364
Professional fees	2,085,858	2,128,911
Ancillary and medical	1,294,926	978,208
Supplies	614,731	561,776
Food services	958,966	939,826
Utilities	1,282,148	1,226,766
Depreciation	6,589,036	6,742,157
Interest	5,109,446	5,136,890
Insurance	214,210	179,249
Real estate taxes	558,434	563,190
Repairs and maintenance	569,064	637,727
Advertising and marketing	187,869	119,716
Licenses, dues and subscriptions	377,278	348,364
Other operating expenses	365,997	407,277
Credit loss expense	-	52,572
Management fees	1,834,500	1,716,805
Total operating expenses	29,789,136	28,039,391
Deficiency of operating revenue over expenses	(5,327,163)	(4,790,571)
Nonoperating revenue (expense):		
Contributions	869	18,217
Interest and dividends	626,271	364,225
Realized gains	110,243	617,958
Unrealized gains (losses)	554,693	(2,123,602)
Other (expense)	(1,036,652)	-
Other income	111,965	76,264
Total nonoperating revenue (expense)	367,389	(1,046,938)
Deficiency of operating and nonoperating revenue over expenses	(4,959,774)	(5,837,509)
Other changes:		
Unrealized gains	17,706	24,173
Total other changes	17,706	24,173
Change in net deficit without donor restrictions	\$ (4,942,068)	\$ (5,813,336)

See notes to financial statements

The Village at Orchard Ridge, Inc.**Statements of Changes in Net Deficit****Years Ended December 31, 2023 and 2022**

	2023	2022
Changes in Net Deficit Without Donor Restrictions		
Deficiency of operating and nonoperating revenue over expenses	\$ (4,959,774)	\$ (5,837,509)
Unrealized gains	17,706	24,173
Change in net deficit without donor restrictions	<u>(4,942,068)</u>	<u>(5,813,336)</u>
Changes in Net Assets With Donor Restrictions		
Contributions	131,278	398,544
Net assets released from restrictions	<u>(242,707)</u>	<u>(8,599)</u>
Change in net assets with donor restrictions	<u>(111,429)</u>	<u>389,945</u>
Change in net deficit	(5,053,497)	(5,423,391)
Net Deficit, Beginning	<u>(15,137,945)</u>	<u>(9,714,554)</u>
Net Deficit, Ending	<u><u>\$ (20,191,442)</u></u>	<u><u>\$ (15,137,945)</u></u>

See notes to financial statements

The Village at Orchard Ridge, Inc.**Statements of Cash Flows**

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net deficit	\$ (5,053,497)	\$ (5,423,391)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	6,589,036	6,742,157
Provision for credit losses	-	52,572
Loss on disposal of assets	2,390	508,258
Amortization of deferred financing costs	168,706	168,705
Amortization of entrance fees	(4,140,952)	(5,833,413)
Proceeds from nonrefundable entrance fees	6,297,859	6,134,214
Realized gains	(110,243)	(617,958)
Unrealized (gains) losses	(572,399)	2,099,429
Changes in assets and liabilities:		
Accounts receivable	(221,222)	(8,292)
Prepaid expenses and other assets	(2,176)	512
Accounts payable, accrued expenses, and deferred revenue	37,300	(277,998)
Net cash provided by operating activities	<u>2,994,802</u>	<u>3,544,795</u>
Cash Flows From Investing Activities		
Net purchases of investments and assets whose use is limited	(389,661)	(252,734)
Insurance proceeds	2,231,078	-
Purchases of property and equipment	<u>(2,896,352)</u>	<u>(1,755,588)</u>
Net cash used in investing activities	<u>(1,054,935)</u>	<u>(2,008,322)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(1,295,000)	(1,210,000)
Proceeds from refundable entrance fees, turnover units	4,381,150	3,578,187
Refunds of entrance fees	(4,139,432)	(1,868,012)
Net change in resident deposits	108,369	(92,358)
Change in pledges receivable, net	15,129	(179,437)
Change in due to affiliates, net	<u>(995,771)</u>	<u>(1,820,420)</u>
Net cash used in financing activities	<u>(1,925,555)</u>	<u>(1,592,040)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	14,312	(55,567)
Cash and Cash Equivalents and Restricted Cash, Beginning	<u>7,941,584</u>	<u>7,997,151</u>
Cash and Cash Equivalents and Restricted Cash, Ending	<u><u>\$ 7,955,896</u></u>	<u><u>\$ 7,941,584</u></u>
Cash and Cash Equivalents and Restricted Cash Include		
Cash and cash equivalents	\$ 120	\$ 1,901
Assets held under trust indenture	7,055,046	7,041,402
Cash, restricted by donors or grantors for specific purposes	<u>900,730</u>	<u>898,281</u>
	<u><u>\$ 7,955,896</u></u>	<u><u>\$ 7,941,584</u></u>

See notes to financial statements

The Village at Orchard Ridge, Inc.

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 4,979,574</u>	<u>\$ 5,004,423</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Beneficial interest in supporting organization	<u>\$ (1,687,593)</u>	<u>\$ (1,305,000)</u>
Pledges receivable investment	<u>\$ 194,261</u>	<u>\$ -</u>

See notes to financial statements

The Village at Orchard Ridge, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Village at Orchard Ridge, Inc. (TVOR) is 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, 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 TVOR, which is a member of a system doing business as National Lutheran Communities and Services (NLCS). As a member of NLCS, TVOR shares in the control, support and services of NLCS.

Basis of Accounting

The financial statements of TVOR 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

TVOR considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, excluding those classified as investments and assets whose use is limited.

Accounts Receivable

Accounts receivable are reported net of an allowance for credit losses, which represents TVOR's estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the TVOR's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts and expected future economic conditions and market trends. Adjustments are made to the allowance as necessary. The allowance for credit losses was \$20,030 and \$65,348 as of December 31, 2023 and 2022, respectively.

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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.

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

TVOR'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

TVOR maintains a support agreement with NLI and National Lutheran Home for the Aged, Inc. (NLHA) relative to TVOR's long-term debt. NLI is the parent to both TVOR and NLHA. NLHA is an affiliate of TVOR. The support agreement outlines that NLI and NLHA will provide access to capital to maintain TVOR'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 TVOR. See Note 4 for the percent allocated to TVOR.

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). TVOR'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. TVOR 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 as of December 31, 2023 and 2022.

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

Entrance Fees

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

Traditional entrance fee: After applying the 10% administrative fee, the remaining entrance fee is contractually earned by TVOR over 18 months, at which time no refund will be payable to the resident.

50% entrance fee: After applying the 10% administrative fee, the remaining entrance fee is contractually earned by TVOR over 8 months, at which time no refund will be payable to the resident.

90% entrance fee: Guarantees a refund of the entrance fee paid less a 10% administrative fee.

Contracts containing varying refund provisions no longer offered by TVOR to new residents remain in force.

The nonrefundable portion of the entrance fees are accounted for as deferred revenue from entrance fees and are amortized into earned revenue using the straight-line method over the estimated remaining life of the residents over the contractual term of the contract. At the time of death or contract termination, the remaining nonrefundable balance is recognized as revenue. The remaining life expectancy of the residents is adjusted annually based on actuarial information. The refundable portion of the entrance fees is not amortized into income and is reported as refundable entrance fees liability. Guaranteed contractual refund obligations amounted to \$51,855,509 and \$51,519,272 as of December 31, 2023 and 2022, respectively.

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

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 was approximately \$168,700 for the years ended December 31, 2023 and 2022. Accumulated amortization was \$1,612,239 and \$1,443,533 as of December 31, 2023 and 2022, 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 (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.

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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 TVOR 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. TVOR 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. TVOR 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. TVOR has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, independent living monthly fees are recognized on a month-to-month basis.

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

Other Resident Services - Other resident services revenue includes services such as housekeeping, laundry, transportation, medical supplies and other revenue from residents. TVOR 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 \$4,140,952 and \$5,833,413 for the years ended December 31, 2023 and 2022, respectively.

TVOR 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 Village at Orchard Ridge, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

TVOR 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.

TVOR 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:

	2023				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 1,417,037	\$ 3,413,657	\$ 12,621,581	\$ 146,597	\$ 17,598,872
Medicare	2,038,055	-	-	-	2,038,055
Medicaid	127,088	-	-	-	127,088
Commercial insurance	307,693	-	-	-	307,693
Amortization of nonrefundable entrance fees	-	-	4,140,952	-	4,140,952
Total	<u>\$ 3,889,873</u>	<u>\$ 3,413,657</u>	<u>\$ 16,762,533</u>	<u>\$ 146,597</u>	<u>\$ 24,212,660</u>

	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
Total	<u>\$ 3,557,105</u>	<u>\$ 1,897,174</u>	<u>\$ 18,211,847</u>	<u>\$ 76,683</u>	<u>\$ 23,742,809</u>

TVOR 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 TVOR's clinical assessment of its residents. TVOR 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.

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

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

Payment terms and conditions for TVOR'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

TVOR expenses advertising costs as incurred. Advertising expense totaled \$187,869 and \$119,716 for the years ended December 31, 2023 and 2022, 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.

Income Tax Status

TVOR is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the 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 TVOR and recognize a tax liability or asset if TVOR has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). TVOR has concluded that as of December 31, 2023 and 2022, 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, 2020, and thereafter remain subject to examination by federal and state tax authorities.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the presentation used in 2023.

Subsequent Events

TVOR has evaluated subsequent events for recognition and disclosure through March 29, 2024, which is the date the financial statements were issued.

The Village at Orchard Ridge, Inc.

Notes to Financial Statements

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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*

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, TVOR adopted the ASU using the modified retrospective transition approach of the period of adoption. There was no adjustment to net assets upon adoption. Disclosures have been included within the financial statements have been included to meet the requirements of Topic 326. Adoption did not have a material impact on TVOR's balance sheets, results of operations or cashflows.

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:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 120	\$ 1,901
Accounts receivable, net	559,429	338,207
Investments	2,513,773	1,973,249
Beneficial interest in supporting organization	7,562,655	8,521,759
Total financial assets	<u>\$ 10,635,977</u>	<u>\$ 10,835,116</u>

As part of TVOR'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. TVOR 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.

3. Concentrations of Credit Risk

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

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
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4. Fair Value Measurements

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value and outlines the related disclosure requirements. The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are as follows:

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

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

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

2023				
	Carrying Value	Fair Value	Level 1	Level 2
Reported at fair value:				
Assets:				
Investments, beneficial interest in supporting organization and assets whose use is limited:				
Cash and cash equivalents	\$ 7,313,977	\$ 7,313,977	\$ 7,313,977	\$ -
Equity securities	559,893	559,893	559,893	-
Mutual funds	820,870	820,870	820,870	-
Exchange traded funds	874,079	874,079	-	874,079
Beneficial interest in supporting organization	7,071,377	7,071,377	4,717,425	2,353,952
Total	16,640,196	16,640,196	\$ 13,412,165	\$ 3,228,031
Beneficial interest in supporting organization alternative investment measured at NAV				
	491,278	491,278		
Total assets	\$ 17,131,474	\$ 17,131,474		
Disclosed at fair value:				
Pledges receivable, net	\$ 16,000	\$ 16,000	\$ -	\$ 16,000

The Village at Orchard Ridge, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

	2022			
	Carrying Value	Fair Value	Level 1	Level 2
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
Total	16,857,037	16,857,037	\$ 13,704,711	\$ 3,152,326
Beneficial interest in supporting organization alternative investment measured at NAV	679,373	679,373		
Total assets	\$ 17,536,410	\$ 17,536,410		
Disclosed at fair value:				
Pledges receivable, net	\$ 225,390	\$ 225,390	\$ -	\$ 225,390

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 14.65% and 13.09% of the combined investments are attributable to TVOR as of December 31, 2023 and 2022, respectively. The percentage of combined investments is calculated based on a monthly cost basis adjusted for any deposits or withdrawals specific to TVOR. Investment income is also based on this allocation.

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

The following tables present TVOR'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:

2023				
	Carrying Value	Fair Value	Level 1	Level 2
Beneficial interest in supporting organization:				
Cash and cash equivalents	\$ 617,151	\$ 617,151	\$ 617,151	\$ -
Equity securities:				
Consumer discretionary	554,401	554,401	554,401	-
Consumer staples	584,876	584,876	584,876	-
Energy	390,693	390,693	390,693	-
Financial	738,420	738,420	738,420	-
Health care	360,615	360,615	360,615	-
Industrials	750,532	750,532	750,532	-
Information technology	368,038	368,038	368,038	-
Real estate	184,410	184,410	184,410	-
Utilities	168,000	168,000	168,000	-
Mutual funds:				
Equity	289	289	289	-
Fixed income securities:				
Corporate bonds	1,798,178	1,798,178	-	1,798,178
U.S. government and agency bonds	555,774	555,774	-	555,774
Subtotal	7,071,377	7,071,377	\$ 4,717,425	\$ 2,353,952
Alternative investment measured at NAV	491,278	491,278		
Total	\$ 7,562,655	\$ 7,562,655		

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

	2022			
	Carrying Value	Fair Value	Level 1	Level 2
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:				
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
Subtotal	7,842,386	7,842,386	\$ 4,794,775	\$ 3,047,611
Alternative investment measured at NAV	679,373	679,373		
Total	\$ 8,521,759	\$ 8,521,759		

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

There were no transfers between Level 1, Level 2 or Level 3 during the years ended December 31, 2023 or 2022.

The following methods have been used by TVOR 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, 2023 or 2022:

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.

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

Alternative Investment - Alternative investment is comprised of a hedge fund. TVOR measures the fair value of the alternative investment based on net asset value (NAV) as calculated on the reporting entity's measurement date. TVOR 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 TVOR 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. TVOR's share of the beneficial interest in supporting organization's alternative investments as of December 31, 2023 and 2022, was \$491,278 and \$679,373, 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, 2023 or 2022, 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.

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:

	2023	2022
Investments	\$ 2,513,773	\$ 1,973,249
Beneficial interest in supporting organization	\$ 7,562,655	\$ 8,521,759
Assets held under trust indenture (2012 bonds):		
Debt service reserve	\$ 1,776,547	\$ 1,694,654
Interest	1,205,150	1,217,328
Principal	679,223	781,294
Assets held under trust indenture (2014 bonds):		
Debt service reserve	2,163,952	2,064,202
Interest	1,230,174	1,283,924
	7,055,046	7,041,402
Less current portion	(3,786,251)	(3,740,084)
Assets whose use is limited, net	\$ 3,268,795	\$ 3,301,318

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

6. Property and Equipment

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

	2023	2022
Land	\$ 14,870,825	\$ 14,870,825
Land improvements	11,892,157	11,815,830
Buildings and building improvements	149,702,952	147,540,832
Furniture and equipment	11,228,537	10,539,440
Construction in progress	45,216	78,798
	187,739,687	184,845,725
Less accumulated depreciation	(61,826,375)	(55,234,949)
	<u>\$ 125,913,312</u>	<u>\$ 129,610,776</u>

In December 2022, TVOR 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 statement of operations for the year ended December 31, 2022.

During the year ended December 31, 2023, TVOR incurred non-capital expenditures in connection with water and mold remediation services amounting to \$1,036,652, which is presented as Other (expense) on the accompanying statement of operations. Total capitalized expenditures associated with the weather event amounted to \$1,955,352. TVOR received insurance settlement advance payments totaling \$2,231,078 as of December 31, 2023, which are included in deferred revenue on the accompanying balance sheet. Management expects the final insurance settlement to occur by June 30, 2024.

7. Long-Term Debt

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

	2023	2022
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% through maturity.	\$ 36,570,000	\$ 37,125,000
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% through maturity.	33,615,000	34,150,000
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% through maturity.	9,040,000	9,245,000
	79,225,000	80,520,000
Less current portion	1,380,000	1,295,000
Less deferred financing costs, net of accumulated amortization	3,624,325	3,793,031
Total long-term debt, net	<u>\$ 74,220,675</u>	<u>\$ 75,431,969</u>

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

As security for the payment of the bonds, TVOR 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.

TVOR 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, 2023 and 2022.

Scheduled principal payments on long-term debt as of December 31, 2023, are as follows:

Years ending December 31:	
2024	\$ 1,380,000
2025	1,440,000
2026	1,535,000
2027	1,645,000
2028	1,755,000
Thereafter	<u>71,470,000</u>
	<u>\$ 79,225,000</u>

Interest expense in connection with long-term debt totaled \$4,851,335 in 2023, and \$4,926,409 in 2022.

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:

	<u>2023</u>	<u>2022</u>
Net assets (deficit):		
Without donor restrictions:		
Undesignated	<u>\$ (22,216,943)</u>	<u>\$ (17,274,875)</u>
With donor restrictions:		
Purpose restricted for:		
Operations	385,097	602,200
Capital projects	515,633	515,743
Restricted in perpetuity	<u>1,124,771</u>	<u>1,018,987</u>
	<u>2,025,501</u>	<u>2,136,930</u>
Total net deficit	<u>\$ (20,191,442)</u>	<u>\$ (15,137,945)</u>

For the years ended December 31, 2023 and 2022, net assets of \$242,707 and \$8,599, 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 TVOR.

The Village at Orchard Ridge, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

9. Related-Party Transactions

NLI is the sole member of TVOR and provides support in the form of management and support services in exchange for management fees and provides additional capital support when needed. TVOR incurred management fees to NLI totaling \$1,834,500 and \$1,716,805 for the years ended December 31, 2023 and 2022, respectively.

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

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

	2023	2022
National Lutheran, Inc. (Parent)	\$ -	\$ 2,583,364
National Lutheran Home for the Aged, Inc.	-	100,000
	<u>\$ -</u>	<u>\$ 2,683,364</u>

10. Expenses by Nature and Function

TVOR'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:

	2023		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 5,899,306	\$ 582,134	\$ 6,481,440
Employee benefits and payroll taxes	1,159,037	106,196	1,265,233
Professional fees	1,937,907	147,951	2,085,858
Ancillary and medical	1,294,926	-	1,294,926
Supplies	575,713	39,018	614,731
Food services	947,356	11,610	958,966
Utilities	1,172,089	110,059	1,282,148
Depreciation	6,589,036	-	6,589,036
Interest	4,940,741	168,705	5,109,446
Insurance	214,210	-	214,210
Real estate taxes	558,434	-	558,434
Repairs and maintenance	528,895	40,169	569,064
Advertising and marketing	187,869	-	187,869
Licenses, dues and subscriptions	111,329	265,949	377,278
Other operating expenses	282,447	83,550	365,997
Management fees	-	1,834,500	1,834,500
Total	<u>\$ 26,399,295</u>	<u>\$ 3,389,841</u>	<u>\$ 29,789,136</u>

The Village at Orchard Ridge, Inc.Notes to Financial Statements
December 31, 2023 and 2022

	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	1,977,906	151,005	2,128,911
Ancillary and medical	978,208	-	978,208
Supplies	533,145	28,631	561,776
Food services	901,801	38,025	939,826
Utilities	1,121,461	105,305	1,226,766
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
Credit loss expense	52,572	-	52,572
Management fees	-	1,716,805	1,716,805
Total	\$ 24,810,364	\$ 3,229,027	\$ 28,039,391

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.

11. Benevolent Care

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

TVOR maintains records to identify and monitor the level of benevolent care it provides. The estimated cost of providing benevolent care is based upon the direct and indirect costs identified with the specific benevolent care provided. The cost of benevolent care provided to assisted living residents amounted to \$66,875 and \$0 for the years ended December 31, 2023 and 2022, respectively. The cost of benevolent care provided to independent living residents amounted to \$3,661 and \$16,100 for the years ended December 31, 2023 and 2022, respectively. The amount by which costs exceeded revenues for the Medicaid program amounted to approximately \$50,700 and \$12,300 for the years ended December 31, 2023 and 2022, respectively. TVOR received contributions of approximately \$126,000 and \$137,000 for the years ended December 31, 2023 and 2022, respectively, to offset or subsidize benevolent care services provided.

The Village at Orchard Ridge, Inc.

Notes to Financial Statements

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12. Pension Plan

TVOR participates in a 403(b) defined contribution plan (the Plan). The Plan states TVOR 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, TVOR 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 \$63,584 and \$59,095 for the years ended December 31, 2023 and 2022, respectively, and are recorded in employee benefits and payroll taxes on the statements of operations.

13. Medical Malpractice and General Liability Claims Coverage

TVOR participates in a reciprocal risk retention group (RRG) through National Lutheran, Inc. (Parent). The coverage is provided on a claims-made basis. Medical malpractice and general liability coverages were provided for TVOR in the amount of \$1,000,000 per event and \$3,000,000 per annual aggregate. Each claim has a \$75,000 self-insured retention, prior to the primary insurance coverage. TVOR also has an excess umbrella policy for general liability coverage. The excess umbrella limit is \$15,000,000 in the aggregate. TVOR funds any potential accrued claims incurred but not reported liability through the premiums paid to the RRG. As of December 31, 2023, no such adjustments to premiums are deemed necessary.

14. Commitments and 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 TVOR, if any, is not presently determinable.

Amendment B

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

	<u>Projected 2024</u>
Net Resident Service Revenues, including amortization of entrance fees of \$4,078,400	25,597,559
	<u>25,597,559</u>
Operating Expenses:	
Salaries and Wages Expense	7,175,250
Supplies Expense	663,542
Professional Fees & Contracted Services	1,651,956
Payroll Taxes and Employee Benefits	1,501,156
Anc Svcs & Med Sup Expense	1,271,531
Food & Supplements Expense	1,123,544
Other Operating Expense	388,968
Licenses, Dues and Subscriptions	416,418
Utilities Expense	1,184,126
Repairs & Maintenance Expense	587,000
Insurance Expense	342,655
Advertising Expense	198,995
Depreciation Expense	6,483,500
Real Estate Tax Expense	575,000
Management Fees	1,919,817
Interest Expense	4,851,441
Bad Debt Expense	20,000
Amortization Expense	168,705
	<u>30,523,603</u>
(Deficiency) of Operating Revenue over Expenses	(4,926,044)
Other Changes:	
Investment Income , Net of Expenses	450,000
Non-Operating Income	94,195
Contributions	267,000
	<u>811,195</u>
Change in Net Assets	<u>(4,114,849)</u>
Cash Flow:	
Change in Net Assets	(4,114,849)
Add Back: Depreciation and Amortization	6,652,205
Less: Amortization of Entrance Fees	(4,078,400)
Cash from Entrance Fees	6,396,899
Principal Payments on Long Term Debt	(1,380,000)
Capital Spending	(1,990,200)
Net Purchases of Investments	(600,000)
Net Increase in Cash and Cash Equivalents and Restricted Cash	<u>885,655</u>

