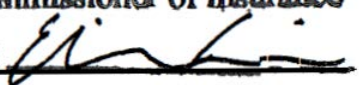


FILED
Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
April 28, 2022
Commissioner of Insurance
BY: 



**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 29, 2022

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 29, 2022 were as follows:

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

Immediate Past Chair: Dr. Rachel Carlson
2273 Hunting Ridge Rd.
Winchester, VA 22603
478-284-6975

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

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

MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors of Orchard Ridge as of April 2022 are as follows:

The Rev. Nathan Robinson
Home Mailing Address:
416 Stonecrest Dr.
Woodstock, VA 22664
E: Pastorr@shentel.net
Emanuel Lutheran Church
127 E. High St.
Woodstock, VA 22664
(C) 540-333-2117

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

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

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

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

The Provider – The Village at Orchard Ridge

Orchard Ridge has an exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. The duly elected representatives of the Board of Trustees of NLCS, which constitute the Member of Orchard Ridge, also constitute the Member of The Village at Rockville (TVAR) a Maryland corporation, The Legacy at North Augusta (TLNA) a Virginia corporation, The Village at Augsburg (TVAA) a Maryland corporation, and The Village at Providence Point (TVPP) a Maryland corporation. TVAR owns and operates a skilled nursing care, assisted living, and a Continuing Care Retirement Community (CCRC) in Rockville, Maryland. TLNA is an assisted living community that provides rental and assisted living apartments in Staunton, 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.

Rev. Nathan Robinson

Rev. Nathan Robinson is the pastor of Emanuel Lutheran Church in Woodstock, Virginia. He holds a Master of Divinity from Boston University School of Theology. He and his wife Kylene reside in Woodstock and have one daughter. Pastor Robinson's accomplishments have been the oversight of expanding faith, attendance, and programs while at Emanuel. He has served as treasurer to the Woodstock Chamber of Commerce and was also named Citizen of the Year for Woodstock by the Chamber. Within the life of the Virginia Synod, Pastor Robinson has served on the committee of discipline for the Virginia Synod and chosen as a representative to be trained in mission redevelopment for the Virginia Synod. He currently serves as a member of the Virginia Synod's Stewardship Table. In addition to his passion for family and the church, you may find him in his "free time" on the golf course.

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 Phillips

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

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

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

Disclosure Statement for The Village at Orchard Ridge – Modified April 29, 2022

Matthew Akers

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

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

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

Biographical information included in Management Personnel of Facility below.

Management Personnel of Facility

Ms. Cynthia A. Walters *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

Disclosure Statement for The Village at Orchard Ridge – Modified April 29, 2022

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. Richard M. Mazza, CPA
CFO & Executive Vice President of Business Planning and Development

Rick Mazza joined National Lutheran Communities & Services (NLCS) in February 2018 as chief financial officer (CFO). As a senior level management professional, Rick brings over 25 years of financial acumen and a proven track record of strategic executive leadership. As the CFO, he oversees financial performance and reporting for all National Lutheran entities, treasury and investment management of assets, and assists with identifying and evaluating various long-range planning initiatives and capital expenditures. Additionally, Rick works closely with the Board of Trustees and executive directors to develop long-term strategic business plans.

Before joining NLCS, Rick was managing director at Solar Renewable Energy, LLC, managing the day-to-day operations of various commercial energy, real estate and health care projects. Prior to that, he spent seven years at Pacific Retirement Services, Inc., where he served in a variety of roles including senior vice president of development and chief accounting officer. Rick also spent 17 years at KPMG, holding multiple positions including, director and senior manager of retirement housing and long-term care consulting practice and manager of assurance practice.

He holds a bachelor's degree in accounting from Washington & Jefferson College.

Mr. John Loop *Executive Director*

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

Throughout his career, he has worked alongside great leaders, mentors, and colleagues. He believes that leadership is the cornerstone of any organization and maintaining open communication lines with team members and residents is key to organizational strength and growth. He believes that these values contribute to people living the best and fullest lives.

Ms. Allison Combs *NLCS Sales & Marketing Director*

Having served in a variety of sales and marketing positions within National Lutheran Communities & Services since 2011, Allison Combs became the NLCS Sales & Marketing Director in January 2018. Allison supports sales and census development initiatives across all NLCS entities and is also responsible for developing and executing all marketing strategies across NLCS.

As a life-long resident of the Winchester area, Allison brings with her over 15 years of working with non-profit organizations, including five years at her alma mater Shenandoah Valley Christian Academy in Stephens City, Virginia as the marketing and development director and almost two years as a sales counselor at another continuing care retirement community (CCRC).

Allison holds a Bachelor of Arts degree in Mass Communication from Shenandoah University in Winchester, Va.

Ms. Rebecca Lipscomb *Sales Director*

Rebecca Lipscomb joined The Village at Orchard Ridge as Sales Director in May 2018. Rebecca's experience prior to joining Orchard Ridge includes over 20 years of specialized sales, marketing, public relations, and interior design experience working with individual clients, senior living organizations and continuing care retirement communities (CCRCs) in the northern Shenandoah Valley. With a B.A. in broadcast communications and a certificate in gerontology, Rebecca is a passionate and outspoken advocate for resident-focused care that supports the aspirations, well-being, and lifestyle goals of older adults throughout all stages of the aging continuum. Most recently, Rebecca was selected as a Fellow in the LeadingAge DC, Delaware, Maryland, and Virginia Leadership Academy. Rebecca will complete her fellowship through 2019 and 2020.

Rebecca moved to Winchester in 2004 and is no stranger to The Village at Orchard Ridge. She was a featured speaker on rightsizing at community outreach events during the earliest phases of Orchard Ridge's sales and construction. Rebecca has also spoken at LeadingAge Virginia on the importance of branding, repositioning, and strategic interior design to help communities keep pace with aging consumers' aspirations for choice, independence, and quality of life.

Rebecca's senior living sales and design experience also includes direct sales and consultation with individual clients in the greater Winchester area and beyond, assisting with planning for and executing their transition from a private residence to a community setting. She was the co-founder of an interior design firm that completed significant projects in accordance with culture change, Green House, and other thought-leadership initiatives to enhance the quality of life, choice, and independence of senior living residents across the continuum of care. To this end, Rebecca's firm completed more than 20 transformative interior design initiatives at regional CCRCs throughout the northern Shenandoah Valley and at numerous Veterans Administration community living centers across Maryland, New York, and Pennsylvania.

Rebecca has a deep passion for cultivating relationships with clients and their families as well as referral partners, leveraging her ability to quickly build strong rapport to provide solutions to the challenges that seniors are facing.

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:	Rev. Nathan Robinson
Secretary/Treasurer:	Mr. Matthew S. Akers
President/CEO:	Ms. Cynthia A. Walters

Directors of Orchard Ridge nor of its parent and related corporations, except for the President/CEO, receive any compensation. They serve voluntarily on a rotating basis for the period of three years, with a maximum of two, three-year terms. The President/CEO of NLCS serves as an ex-officio member of the Orchard Ridge Board. Each Director completes an annual disclosure statement attesting to any potential areas of conflict of interest and to the extent of any business dealings they may have with the corporation. These disclosure statements are kept on file in the corporate office of NLCS.

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

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

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

OWNERSHIP OF REAL PROPERTY

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

LOCATION AND DESCRIPTION OF REAL PROPERTY

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

Opening in 2013, Orchard Ridge includes 308 Independent Living residences consisting of 207 one- and two-bedroom apartments; 69 two-bedroom cottages; as well as 32 rental apartment units, 20 Skilled Nursing beds and 18 Assisted Living Memory Care beds. Square footage of the 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 1,702 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

Disclosure Statement for The Village at Orchard Ridge – Modified April 29, 2022

Lutheran Communities & Services, as that Board of Trustees may from time to time be constituted. The Board of Directors of TVOR is elected by the Members of TVOR. The Board of Directors of NLI is elected by its own members, which are the Delaware-Maryland Synod, the Metropolitan Washington, DC Synod, and the Virginia Synod of the Evangelical Lutheran Church in America.

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

TAX STATUS OF PROVIDER

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

SERVICES PROVIDED UNDER CONTRACTS

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

1. Living accommodation in the Community in one- or two-bedroom apartments or in two-bedroom cottages.
2. An Emergency Call System provided in each residence with response from the Community's 24/7 Emergency Response team members.
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 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 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 both Assisted Living Memory Care and Health Care services, on a fee for services basis, if the Community through its attending physician(s) and/or Health Center Medical Director, in consultation with the resident or the resident's representative, determines that the resident requires these levels of care. If residents reside in the rental units, they are not contractually provided priority access to either Assisted Living Memory Care or Health Care services but may gain access to these services if or as beds may be available.

ADDITIONAL AVAILABLE SERVICES (REQUIRING EXTRA CHARGES)

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

1. Medical Services - generally all medically related services are the fiscal responsibility of the resident and are not located on site. Included, but not limited to, are the following: [See Section II. F. of the Residence and Services Agreement]

- a. All hospital care (done on either an in-patient or on an out-patient basis). The Community will only provide access for such care when the Community determines this care is needed. Only hospitals accredited by the Joint Commission on Accreditation of Healthcare Organizations (or similar) will be utilized.
 - b. Employment by the resident of Private Service Providers (at the hospital and in the Community).
 - c. All physician services needed by the resident.
 - d. All dental treatment and care of the resident's teeth, including purchase and/or repairs to dentures (partial and complete).
 - e. Ophthalmologist care, including routine eye examinations.
 - f. Prosthetic devices and limbs (including repair and replacement thereof), hearing aids, wheelchairs, walkers, canes, etc.
 - g. Pharmacy services and medications (including prescription and non-prescription drugs).
 - h. Laboratory and x-ray tests.
 - i. Physical, Occupational, and Speech Therapy.
2. Meals more than the amount allocated through the dining plan of the resident.

MEDICAL ASSISTANCE

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

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 Memory Care and Skilled Nursing care are not charged an Entrance Fee upon admission to the Community but are charged one-time community fee of \$3,000 for the first person and an additional \$750 for the second person. The Entrance Fee varies with the size and type of residence selected and whether for single or double occupancy.

Listed below are the current fees effective January 1, 2022 (including Entrance Fees and Monthly Charges) required of residents entering the Community under the Residence and Services Agreement:

Disclosure Statement for The Village at Orchard Ridge – Modified April 29, 2022

APARTMENTS -

Apartment Residence Style	Traditional Declining Refund Entrance Fee	50% Refundable Entrance Fee	90% Refundable Entrance Fee	Monthly Service Fee
1 bedroom, 1 bath	\$231,440	\$304,070	\$464,615	\$2,438
1 bedroom, 1 1/2 bath	\$240,465	\$315,960	\$482,545	\$2,511
1 bedroom, 1 bath	\$259,415	\$340,815	\$520,765	\$2,536
1 bedroom, 1 1/2 bath, den	\$262,745	\$345,185	\$527,470	\$2,579
1 bedroom, 1 1/2 bath, den	\$274,295	\$360,395	\$550,655	\$2,579
2 bedroom, 2 bath	\$336,855	\$442,570	\$618,280	\$2,983
2 bedroom, 2 bath	\$345,435	\$453,800	\$660,460	\$2,983
2 bedroom, 2 bath	\$349,495	\$459,165	\$668,110	\$3,011
2 bedroom, 2 bath	\$349,495	\$459,165	\$668,110	\$3,107
2 bedroom, 2 bath	\$366,330	\$481,300	\$700,395	\$3,152
2 bedroom, 2 bath	\$370,545	\$486,825	\$708,445	\$3,152
2 bedroom, 2 bath	\$374,760	\$492,360	\$716,490	\$3,227
2 bedroom, 2 bath, den	\$397,675	\$518,445	\$760,290	\$3,297
2 bedroom, 2 bath, den	\$409,280	\$529,085	\$782,510	\$3,442
Second Person Fee	\$8,180	\$11,570	\$16,890	\$749

COTTAGES

Cottage Residence Style	50% Refundable Entrance Fee	90% Refundable Entrance Fee	Monthly Service Fee
2 bedroom, 2 bath	\$468,900	\$699,130	\$3,297
2 bedroom, 2 bath	\$515,765	\$769,040	\$3,583
2 bedroom, 2 bath	\$549,525	\$819,205	\$3,727
2 bedroom, 2 bath	\$563,835	\$840,620	\$3,871
2 bedroom, 2 bath, den	\$577,540	\$861,000	\$4,014
2 bedroom, 2 bath, den	\$591,725	\$882,235	\$4,157
Second Person Fee	\$11,570	\$16,890	\$749

ASSISTED LIVING MONTHLY FEES 2022

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

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

ASSISTED LIVING MEMORY CARE MONTHLY FEES 2022

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

NURSING CARE DAILY FEES 2022

Long-term care private pay	\$390
Skilled rehabilitation private pay	\$550

Pricing is effective January 1, 2022 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 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.

Disclosure Statement for The Village at Orchard Ridge – Modified April 29, 2022

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 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, 2021 and December 31, 2020 for Orchard Ridge is included as **Attachment B**.

PRO FORMA INCOME STATEMENT – 2021

As required, a Pro Forma Income Statement for the Fiscal year ending December 31, 2021 is included as Attachment C.

QUALIFICATION FOR ENTRANCE

Independent Living

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

Assisted Living Memory Care

Applicants are personally interviewed and assessed by the staff of the Community and an independent physician according to the specifications required by the Virginia Department of Social Services. The applicant must be assessed to have a serious cognitive impairment and unable to recognize danger and protect their own safety. Applicants must also meet financial requirements and *Disclosure Statement for The Village at Orchard Ridge – Modified April 29, 2022*

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 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.



**RESIDENCE AND SERVICES AGREEMENT
of
The Village at Orchard Ridge, Inc.
Winchester, Virginia**

This Residence and Services Agreement (“Agreement”) is made this _____ day of _____, 20____, by and among The Village at Orchard Ridge, Inc. a Virginia corporation (the “Community”), and _____ (“Resident”).

WHEREAS, The Village at Orchard Ridge, Inc. is a Virginia non-profit, non-stock corporation and was organized to establish and operate retirement communities.

WHEREAS, The Village at Orchard Ridge, Inc. owns a certain retirement community known as the “The Village at Orchard Ridge” located at 400 Clocktower Ridge Drive, Winchester, Virginia, 22603. Where appropriate, the term “Community” as used herein shall also refer to the actual retirement community facility. All property of the Community is owned by The Village at Orchard Ridge, Inc. and all references herein to property owned by the Community shall be deemed to refer to property owned by The Village at Orchard Ridge, Inc.

WHEREAS, all services required herein to be rendered by the Community shall be rendered by The Village at Orchard Ridge, Inc.

WHEREAS, Resident has completed the application process for residency at the Community by providing, at a minimum, the following to the Community: the General Information Form, the Personal Health History, the Confidential Financial Statement, the Report of Physical Examination, and a personal interview (collectively, the “Application”).

WHEREAS, the Community has reviewed and approved the Application based on entrance criteria and policies established by the Board of Directors of the Community and the Resident has been notified of the approval for residency in the Community, based on the information provided in the Application.

WHEREAS, the Resident and the Community desire to enter into this Agreement;

NOW, THEREFORE, the Resident and the Community agree to the following provisions:

I. RESIDENCE, COMMON AREAS, AMENITIES, PROGRAMS AND SERVICES

A. Residence. The Resident shall have the exclusive right to occupy, use, and enjoy residence number _____, a/an _____ type of residence (the “Residence”).

B. Furnishings in the Residence. The Community will provide wall-to-wall carpeting, emergency response system, refrigerator with icemaker, stove, dishwasher, microwave with hood vent, washer and dryer, and garbage disposal. All other furniture, furnishings, decorations, and other personal property will be provided by the Resident.

C. Changes to the Residence. The Resident shall not make any physical/structural changes to the Residence unless such changes are pre-approved by the Community. Any changes requested and paid for by the Resident will become part of the Residence and the property of the Community upon termination of this Agreement or upon relocation to a different residence within the Community. The value of any such changes will not be considered in computing any refunds, and the Community will have a vested ownership in such improvements. There may be charges to the Resident to cover the cost of returning the Residence to its original condition, when the Residence is vacated (see Section V.E.).

D. Common Areas and Amenities. The Community will include a Village Center with a number of amenities including a chapel, main and private dining rooms, lounge with food and beverage service, mail room, library, games area, art studio, beauty salon, guest apartment, walking paths, garden plots, fitness center and swimming pool.

E. Parking. The Community will provide areas for the Resident’s personal vehicle limited to one vehicle per individual Resident as well as parking for additional Resident vehicles.

F. Storage. The Community will provide storage cages, other than the space in each apartment for apartment residents.

G. Services and Programs.

1. Utilities. The Community will furnish heating, air conditioning, electricity, water, sewer, basic television services, and municipal services for apartment and cottage residences. The Resident is responsible for the charges related to telephone, internet, and premium cable services. All telephone, internet and cable services require a contract with a service provider.

2. Meals. The Community will make available to the Resident a dining dollars program equal to fifteen meals per month or the cash equivalency of fifteen meals per month per occupant. The amount of this equivalency may change annually based upon actual food and dining costs and will be reflected in the Monthly Fee. In the event of an extended voluntary absence from the Community, a credit will be provided to reflect such an absence per the then current policy regarding extended voluntary absences. The monthly dollar dining program is defined in the resident handbook, and any costs that exceed the dining dollar program will be billed as defined in the resident handbook and schedule of fees for services.

3. **Special Diets.** The Community will make all reasonable efforts to make available meals containing substitute or special diets in the dining room.

4. **Meal Delivery.** Upon request, meal delivery will be available for delivery to the Residence according to the Community's policy, which may include an additional fee if not for medical reasons.

5. **Housekeeping Services.** The Community provides for the Residence housekeeping services every other week, including vacuuming, dusting, cleaning of bathroom(s) and kitchen, and trash removal. Additional housekeeping may be scheduled at the request and expense of the Resident.

6. **Groundskeeping.** The Community furnishes basic groundskeeping services including lawn, tree, and shrubbery care. Additional grounds keeping service may be scheduled at the request and expense of the Resident.

7. **Maintenance and Repairs.** The Community maintains and keeps in repair its own improvements, furnishings, and equipment. The Resident will be responsible for the cost of repairing damage to property of the Community caused by the negligence of the Resident or any guest of the Resident, with the exception of ordinary wear and tear.

8. **Transportation.** The Community provides scheduled local transportation in Winchester on a regular basis within a ten-mile radius of the Community. An additional charge may be made for transportation for special, personal, or group trips.

9. **Security.** The Community provides staff to include evening and night time security patrol; emergency response system and smoke detectors are located in each Residence.

10. **Programming.** The Community will provide planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts; exercise and health programs; and other special activities designed to meet the needs of the Resident. There may be a charge related to some programs.

11. **Assisted Living Memory Care, Long-term Care, Skilled Rehabilitation, and Health Services:**

a. **Assisted Living Memory Care.** If the Community, in consultation with Resident and Resident's representative and attending Physician and/or the Medical Director (*as defined below*), determines that the Resident requires Assisted Living Memory Care services, the Community will make available such services in its Assisted Living Memory Care area ("Assisted Living Memory Care"). Such services may include assistance with cognitive impairment, bathing, dressing and/or grooming, administration of medication, bed making, transportation or assistance to the beauty shop, physical therapy, and the Community's medical providers' offices based on the needs of the Resident. The Resident's degree of independence in performing these activities is a part of determining appropriate services rendered to the Resident.

Should space not be available in Assisted Living Memory Care, the Resident may be required to receive temporarily services in the Health Care Center (*as defined below*) or using Home Care services in the Residence until an appropriate Assisted Living Memory Care residence is available. The cost of such Assisted Living Memory Care services rendered in the Assisted Living Memory Care Neighborhood or Health Care Center shall be charged at the then current Assisted Living Memory Care daily rate and shall be the responsibility of the Resident.

b. Health Care Center. If the attending physician and/or the Medical Director (*as defined below*) determine in consultation with Resident and Resident’s representative and personal physician that the Resident requires the services of a licensed nursing facility, the Community will make available such nursing care in its own licensed nursing facility (the “Health Care Center”). The Resident agrees that nursing care made available by the Community shall be limited to that care which can be appropriately rendered within the licensure of the Health Care Center. Should space not be available in the Health Care Center, the Resident may be required to temporarily transfer to another facility until an appropriate residence is available. In the event of a temporary transfer to another facility, the Resident will be solely responsible for all expenses resulting from such transfer. Additional ancillary charges in the event of a temporary transfer to another facility will be the sole responsibility of the Resident. The cost of such health care services rendered in the Health Care Center shall be charged at the then current rate and shall be the responsibility of the Resident.

c. Staffing. Assisted Living Memory Care and the Health Care Center are staffed by licensed and certified nursing staff twenty-four hours per day.

d. Basic Health Services. Professional and trained staff will be available to Resident for basic first aid services and basic monitoring services such as blood pressure, pulse, respiration, temperature, and weight checks.

e. Medical Director. The overall coordination and supervision of health care services by the Health Care Center will be provided by a Medical Director (the “Medical Director”) who will be a licensed physician selected by the Community.

f. Personal Physician. While in Assisted Living Memory Care or the Health Care Center, the Resident may choose to use the services of a personal physician and will be responsible for the charges by that physician. However, the physician must be willing to follow the Policy and Procedures of the Community and meet the requirements of the Community’s licensure by the Department of Health, Center for Quality Health Care Services and Customer Protection.

g. Home Health and Home Care. Home Health and Home Care services are available in individual Residences. These services are available through related organizations or service partners who have been specifically approved by the Community and comply with the requirements of the Community corporate compliance program.

h. Charges. Charges for Assisted Living Memory Care and Health Care Center, , as described above, shall be published and available to the Resident upon request.

II. FINANCIAL ARRANGEMENTS

A. **Entrance Fee Options.** The Resident shall pay to the Community an Entrance Fee (the “Entrance Fee”) as a condition of becoming a Resident. The Resident shall choose one of the following options:

Entrance Fee Option	Amount of Entrance Fee	Amortization Schedule
Traditional Declining Refund Entrance fee	\$	The Entrance Fee, less an initial 10% administrative charge, will be amortized at 5% per month for 18 months.
50% Refund	\$	The Entrance Fee, less an initial 10% administrative charge, will be amortized at 5% per month for 8 Months.
90% Refund	\$	The Entrance Fee will be fully refundable, less an initial 10% administrative charge.

The Resident must notify the Community in writing of the selection of the Traditional Declining Refund, 50% Refund or 90% Refund Entrance Fee Option on or before the date that the balance of the Entrance Fee is paid as provided in Section II.B. below. The Resident may not change the option selected after the date that the balance of the Entrance Fee is paid.

B. **Terms of Payment of the Entrance Fee.** The Entrance Fee based on the Entrance Fee option selected by the Resident will be due and payable as follows:

1. **Deposit.** Upon the signing of this Agreement and before the occupancy of the Residence, the Resident shall have paid a deposit equal to 10% of the Entrance Fee (the “Deposit”) for the selected Residence in accordance with the 10% Deposit Agreement (copy attached).

2. **Balance of the Entrance Fee.** The balance of the total Entrance Fee (less the Deposit previously paid) for the Entrance Fee option selected by the Resident will be due and payable at the earliest to occur of the following: (a) within 90 days after completion of the construction of the Residence and receipt by the community of a Certificate of Occupancy or (b) upon assuming occupancy.

C. **Monthly Fee.** In addition to the Entrance Fee, the Resident shall pay a Monthly Fee (the “Monthly Fee”) upon occupancy and during the term of this Agreement which shall be payable in advance by the 10th of each month. As of the date of this Agreement, the Monthly Fee associated with the Residence is \$_____ per month, and an additional \$_____ per month if a second Resident occupies the Residence. The Monthly Fee may be increased by the Community during the term of this Agreement as described in Section II D below.

D. Changes in the Monthly Fee. The Monthly Fee is charged to provide the facilities, programs, and services described in this Agreement and are intended to meet the cost of the expenses associated with the operation and management of the Community. The Community shall have the authority to change the Monthly Fee from time to time during the term of this Agreement as the Community in its discretion deems necessary in order to reflect changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. A thirty (30) day written notice will be given to the Resident before there is any adjustment in fees and charges, or before there is any change in the scope of services to be provided hereunder. 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.

E. Monthly Statements. The Community will furnish the Resident with monthly statements showing the total amount of fees and other charges due hereunder which shall be payable on or before the 10th day of the month. The Community may charge interest at a rate of one and one-half percent (1 1/2%) per month on any unpaid balance.

F. Fees for the Services Associated with Assisted Living Memory Care and Health Care.

1. Continuance of Monthly Fee. Should the Resident qualify for services in Assisted Living Memory Care or the Health Care Center and temporarily occupy a residence in such facility, the Resident will be charged in addition to the Monthly Fee for the Residence, an amount equal to the then current daily rate (the “Daily Rate”) for such services. Upon permanent transfer to the Assisted Living Memory Care or Health Care residence, the Resident will surrender the Residence and a) no longer pay the Monthly Fee for the Residence, but instead (b) pay the published then current Daily Rate for the residence in Assisted Living Memory Care or the Health Care Center. In addition to the Daily Rate, charges will be made for ancillary services as more fully described in Section II.F.2. below.

2. Additional Charges for Ancillary Services. Additional charges may be made for ancillary services provided at the Community. Ancillary services will include all services not included in the Monthly Fee. Examples of such additional charges for ancillary services include, but are not limited to, the cost of prescription and non-prescription medications, personal laundry, staff accompaniment of resident to scheduled medical appointments, podiatric, dental, optical, physicians’ services, laboratory tests, physical therapy, occupational therapy and speech therapy. Additional charges may also apply to the cost of wheelchairs, other medical equipment, medical supply needs, ambulance service, and any other medical services beyond those available in the Community. Also, any professional services (medical or otherwise) contracted by the Resident or on behalf of the Resident shall be billed directly to the Resident or the Resident’s representative. Ancillary service fees shall be published and made available at the request of the Resident.

3. Care in Another Facility. If the Community determines that the Resident needs care beyond that which the Community makes available and is currently licensed to provide and requires transfer to another facility, all expenses resulting from such transfer and

care shall be borne entirely by the Resident. (See Section IV.B).

4. **Illness Away From the Community.** The Community will not provide care, in any manner or degree for the Resident when away from the Community, nor will the Community ensure the safe return of the Resident. The Resident agrees to assume all responsibility for hospital, medical and nursing care during any illness or accident occurring while away from the Community and to see that, upon return, full medical information is supplied to the Community for the Resident's medical records file.

5. **Third Party Injuries and Claims.** The Community is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of some third party or parties. The Resident shall promptly notify the Community of any such injury. In the event that the Community provides such care through its employees and facilities, the Resident will reimburse the Community for all costs related to care provided by the Community.

III. **TERMS OF RESIDENCY**

A. **Age and Occupancy Requirements.** The Community is open to all people regardless of race, religion, national origin, and ancestry and without regard to place of former residence; however, entrance is restricted to persons 60 years of age or older. In the case of a double occupancy, only one person must be 60 years of age and the other must be at least 55 years of age.

B. **Policies and Procedures.** All Residents shall abide by the Community's Policies, Procedures and Guidelines including such amendments, modifications, and changes to the **Resident Handbook** as may be adopted by the Community. Such Handbook shall be made readily available to Resident.

C. **Use of Smoking, Tobacco and Vaping Products.** With the exception of designated smoking areas, the use of all smoking, tobacco and vaping products are prohibited in the Community, including its buildings and community vehicles. This policy is applicable to all residents, visitors, employees, and contract personnel, and it applies to the Residence.

D. **Changes in the Residence.** The Community has the right to alter or change the Residence to meet requirements of any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances, governmental law, any Community guidelines or other regulation.

E. **Visitors.** Except for short term visits (visits of 30 days or less per calendar year per guest), no person other than the Resident may reside in the Residence without the approval of the Community. Exceptions may be requested and determined through the Executive Director.

F. **Loss or Damage of Property.** The Community shall not be responsible for the loss or damage of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. It is understood that the Resident will have the responsibility of providing any desired tenant/renters insurance protection covering any such loss.

G. Health Insurance. The Resident shall provide the Community with evidence of health insurance coverage under Medicare Parts A & B, Medicare Advantage Plan replacement plan, as well as hospital or medical insurance benefit programs that supplements Medicare. If the Resident is not covered under Medicare or a medical insurance benefit program that supplements Medicare, evidence must be given of coverage under comparable insurance accepted by the Community. The Resident shall be responsible for the payment of premiums for such coverage during residency at the Community. The Resident shall authorize, as necessary, any provider of hospital, medical, and health services to receive reimbursement under this insurance coverage.

H. Occupancy by Two Residents. In the event that two Residents occupy the Residence under the terms of this Agreement, upon the permanent transfer to Assisted Living Memory Care or the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. The remaining Resident will pay the then current single person monthly fee while occupying the Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of the Community governing said residence transfer will prevail.

I. Marriage During Occupancy. If the Resident, while occupying the Residence, marries a person who is also a resident of the Community, the two residents may occupy the residence of either resident. If the married couple chooses to reside in the larger of the two residences, a payment of an additional entrance fee will be required depending on the length of residency and/or Agreement type(s). Such married residents will pay the Monthly Fee for double occupancy associated with the residence occupied by them. In the event that the Resident shall marry a person who is not a resident of the Community, the spouse may become a resident if such spouse meets all the then current requirements to reside in the Community and enters into a then current version of the Agreement with the Community and pays the then current second person Entrance Fee for the Residence. The Resident and spouse shall pay the Monthly Fee for double occupancy associated with the Residence. If the Resident's spouse shall not meet the requirements of the Community for admission as a resident, and the Resident chooses to terminate this Agreement, the Resident may terminate this Agreement in the same manner as provided in Section V.B. hereof with respect to a voluntary termination.

J. Added Resident. If a non-resident joins a Resident in sharing the Residence for which the Resident paid the entire Entrance Fee and in which the Resident was previously living alone, and in accordance with Section III.A. above, such non-resident shall meet all the then current requirements to reside in the Community and upon approval enter into a then current version of the Agreement with the Community and pay the then current second person Entrance Fee for the appropriate accommodation. The Residents shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the resident joining the Resident remains in the residence due to death or transfer of the original Resident, the remaining resident will be charged the first-person Monthly Fee for the residence and will be subject to the terms and conditions of this Agreement as if such person were the original Resident. If such resident subsequently permanently transfers to Assisted Living Memory Care or the Health Care Center, such resident will pay the then current Daily Rate applicable to the level of service received.

K. Residence Change Upon Request of Resident. Upon written request and with the approval of the Executive Director, the Resident may move to another currently available apartment or cottage residence (the “New Residence”). Upon occupancy of the New Residence, the Resident will be required to pay: (1) the cost of any necessary repairs to and repainting of the previously occupied Residence, (2) the then current monthly fee for the New Residence, and (3) the difference between the two Entrance Fees if the then current Entrance Fee for the New Residence is larger than the original Entrance Fee. If the then current Entrance Fee for the New Residence is less than the original Entrance Fee paid, the refund will be paid upon receipt of a replacement Entrance Fee for the Residence, provided, however, that such refund shall be less (1) such added charges as may be required to cover the costs of repairs to or replacement of the property of the Community caused by the Resident whether willfully or by neglect or through alterations, and (2) per the refund schedule as stated in Section II.A. The refund will be based on the Entrance Fee of the New Residence in effect at the date of occupancy. The new agreement will retain the effective date of the original Agreement.

L. Rights of Resident. The Resident has the right to occupy, use and enjoy the Residence, common areas, amenities, programs, and services of the Community during the Resident’s lifetime unless this Agreement shall be terminated as provided herein, subject to reasonable availability and the simultaneous rights of other residents. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Community other than the rights and privileges as described in this Agreement.

M. Right of Entry. Resident hereby authorizes employees or agents of the Community to enter the Residence, at all reasonable times, which shall be pre-arranged, if possible and practical, for the purposes of housekeeping, repairs, maintenance, inspection, fire drills, and in the event of an emergency.

N. Residents’ Association. The Resident may participate in the Residents’ Association and/or its committees that will be open to all residents as per the Bylaws of the Association.

O. Financial Requirements. Upon entrance, the Resident must have assets and income that will be sufficient under foreseeable circumstances to pay the financial obligation of the Resident under this Agreement and to meet ordinary living expenses of the Resident. The Community, at its discretion, may require the Resident to furnish periodically updated financial information upon request.

P. Representations. The Resident affirms that the representations made in each part of the Application, including but not limited to the Preliminary Application for Residency, Pre-Admission Medical Exam, and Confidential Financial Statement, are true and correct and may be relied upon by the Community as a basis for entering into this Agreement.

IV. TRANSFERS OR CHANGES IN LEVELS OF CARE

A. Transfer to Assisted Living Memory Care or Health Care Center. The Community recognizes the right of self-determination of the Resident and will attempt to involve the Resident or the Resident’s representative in all decisions related to transfers and changes in level of care. The Resident agrees that the Community shall have authority to determine whether the Resident should be transferred from the Residence to Assisted Living Memory Care or the Health Care Center, or from one level of care to another within the Community, in cases (1) not being able get to an area of rescue, (2) potential harm to the Resident or others, (3) to assure the health and well-being of Resident and others, or (4) to provide for the highest quality of life possible. Such determination shall be based on the opinion of the attending physician and shall be made after consultation with Resident and Resident’s representative. Such decisions shall be made only in the best interest of the Resident and in the best interest of the larger community as determined by the Community. At the time of the permanent transfer, the Resident will pay the Daily Rate for the level of care where the Resident receives services. If the Residence is occupied by two Residents at the time of transfer, the remaining Resident will pay the then current single occupancy Monthly Fee.

B. Transfer to Hospital or Other Facility. If the Community determines that the Resident needs care beyond that which can be provided by the Community, the Resident may be transferred to a hospital, health care facility, or other institution equipped to provide such care; such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident’s representative and the Resident’s attending physician.

C. Surrender of Residence. If a determination is made by the Community that any transfer described in Section IV.A or B. is not temporary in nature, the Resident shall surrender the Residence. If the Community subsequently determines that the Resident may resume occupancy in an apartment or cottage Residence comparable to the Residence, the Resident shall have priority to such Residence as soon as one becomes available. If the Residence is occupied by two persons, the Residence will not be surrendered due to the health of the first Resident and the second Resident may continue to reside at the Residence.

V. TERMINATION AND REFUND PROVISIONS

A. Trial Period. The first sixty (60) days of occupancy at the Community will be considered to be a trial period (the “Trial Period”). During such Trial Period, the Resident will have the right to terminate this Agreement by giving the Community written notice of such termination. In the event of such termination by the Resident, or in the event of the death of the Resident during such Trial Period, the Resident (or the Resident’s estate) shall receive a full refund of the Entrance Fee paid, less an administrative charge equal to four percent (4%) of the total amount of the Entrance Fee as described in Section II.A. Also, during such Trial Period, the Community shall have the right to terminate this Agreement based on the Community’s determination that the Resident’s physical or mental condition or emotional adjustment will not permit adaptation to the living environment at the Community, by giving the Resident written notice of such termination. In the event of such termination by the Community, the Community will refund the full Entrance Fee paid by the Resident. Upon any termination of the Agreement

pursuant to this section, the Resident's property shall be removed from the Residence in accordance with Section VIII.H. below. Any refund due the Resident under this paragraph shall be paid within sixty (60) days after the Residence has been vacated by the Resident.

B. Voluntary Termination After Occupancy. At any time after occupancy, the Resident may terminate this Agreement by giving the Community thirty (30) days written notice of such termination. If the Resident has elected the Traditional Declining Balance Entrance Fee Option, the Resident shall receive a refund in an amount equal to the amount of the Entrance Fee paid less an initial ten percent (10%) administrative charge and the balance amortized at the rate of five percent (5%) for each month of residency for up to eighteen (18) months. If the Resident has elected the fifty percent (50%) Refund Entrance Fee Option, the Resident shall receive a refund in the amount equal to the amount of the Entrance Fee paid less an initial ten percent (10%) administrative charge and the balance amortized at the rate of five percent (5%) for each month of residency for up to eight (8) months, and never less than fifty percent (50%) of the Entrance Fee paid. If the Resident has elected the ninety percent (90%) Refund Entrance Fee Option, the Resident shall receive a refund in the amount equal to the amount of the Entrance Fee paid less an initial ten percent (10%) administrative charge. Any refund due the Resident under this paragraph will be made at such time as the Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to the Community such prospective resident's full Entrance Fee.

C. Termination Upon Death. In the event of death of the Resident at any time after the Trial Period, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be determined in the same manner described in Section V.B. above and shall be paid to the Resident's estate, designated trust, or as otherwise expressly directed by the Resident in writing prior to the Resident's death.

D. Termination by the Community. If information is found by the Community that differs from that disclosed in the information provided in the application process either through misinformation or omission of information, the Community shall have the right to terminate this Agreement. The Community reserves the right to terminate the Agreement at any time beyond the Trial Period for what is, in the opinion of the Community's Board of Directors or its designate, good cause. Good cause shall be limited to: (a) proof that the Resident is a danger to himself or others, (b) nonpayment by the Resident of the Monthly or periodic Fee, (c) repeated conduct by the Resident that interferes with other residents' quiet enjoyment of the Community, (d) persistent refusal to comply with reasonable written rules, regulations, and guidelines of the Community, (e) a material misrepresentation made intentionally or recklessly by the Resident in application for residency, or related materials, regarding information which, if accurately provided, would have resulted in failure of the Resident to qualify for residency or a material increase in the cost of providing to the resident the care and services provided under the contract, or (f) material breach by the Resident of the terms and conditions of this Agreement. A violation of the obligations and agreements of the Resident stated herein shall be deemed, among other things, good cause. The Community will give the Resident written notice of the conduct and/or Agreement infraction that warrants termination of this Agreement, with a fifteen (15) day period in which to correct or cure the matter. If not corrected or cured within the fifteen (15) day period, the Resident will have an additional fifteen (15) days in which to make other living or service arrangements before the actual termination of the Agreement. This Agreement may not be terminated in less than the thirty (30) day combined period except by mutual written

agreement by the Community and the Resident. Until the effective date of termination, the Resident will continue to pay the established Monthly Fee. Any refund of the Entrance Fee paid by the Resident shall be determined in the same manner described in Section V.B. above.

E. Refund. In the event of a transfer to Assisted Living Memory Care or the Health Care Center, any refund due will be held until (1) the Resident permanently moves from the Community or (2) death. Any remaining refundable Entrance Fee may be applied to the cost of care in the Assisted Living Memory Care or Health Care Center Residence. The Entrance Fee refund can only be paid for care received at the Community - funds will not be paid directly to any other facility besides the Community. Any refund of the Entrance Fee paid by the Resident shall be determined in the same manner described in Section V.B. above.

F. Condition of Residence. At the effective date of termination of this Agreement, the Resident shall vacate the Residence and shall leave it in good condition except for normal wear and tear. The Resident shall be liable to the Community for any cost incurred in restoring the Residence to good condition except for normal wear and tear.

VI. RESCINDED AGREEMENT

A. Right to Rescind Agreement. The Resident shall have the right to rescind this Agreement without penalty or forfeiture of the Entrance Fee within seven (7) days after executing the Agreement. The Monthly Fee will be prorated for the number of days the Resident occupied the Residence and that amount will be deducted from the refund. The Resident shall not be required to move into the Community before expiration of the seven (7) day period.

B. Automatic Rescission Upon Death or Incapacity. If, prior to establishing residency, Resident dies or becomes incapacitated by illness or injury and no longer qualify for residency in the Community, this Agreement will be deemed automatically rescinded. The effective date of such rescission will be the date the Community receives written notice of Resident's death or incapacity. In the event of rescission of this Agreement in accordance with this paragraph, Resident or Resident's estate will receive a full refund of the Entrance Fee within sixty (60) days of such rescission, unless otherwise agreed to in writing.

VII. FINANCIAL ASSISTANCE

A. Residency Continuance. The Community declares that it is intent of the Community to permit a Resident to continue to reside in the Community if the Resident is no longer capable of paying the Monthly Fee and/or charges of the Community as a result of financial event occurring after occupancy, provided such events, in the Community's judgment, are not the result of willful or unreasonable dissipation of the Resident's assets. In the case of such event, the Community will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of the Community to attain its objectives while operating on a sound financial basis. Any determination by the Community with regard to the granting of financial assistance shall be within the sole discretion of the Community, and the Community does not guarantee that it will subsidize the fees and charges payable by the Resident. Prior to the Community providing subsidy, should the Resident, or both Residents in the case of dual occupancy, move to an

Assisted Living Memory Care or Health Care Center Residence and, due to financial event as described above, no longer have sufficient funds to pay the Daily Rate and/or ancillary charges, the remaining refundable portion of the Entrance Fee due to the resident may be applied to the cost of care in the Assisted Living Memory Care or Health Care Center Residence. The Entrance Fee refund can only be paid for care received at the Community - funds will not be paid directly to any other facility besides the Community.

VIII. GENERAL

A. **Assignment.** The rights and privileges of the Resident under this Agreement to the Residence, common areas, and amenities, and services, and programs of the Community are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.

B. **Management of the Community.** The absolute rights of management are reserved by the Community, its Board of Directors, and its Executive Director as delegated by said Board of Directors. The Community reserves the right to accept or reject any person for residency. Residents do not have the right to determine acceptance or terms of acceptance of any other Resident.

C. **Employment of Service Providers.** The Resident may request approval to employ a service provider (i.e., private duty nurse or sitter, driver, personal shopper, etc.). A service provider may not be employed by the Resident without the approval of the Community. Any service provider employed by the Resident shall be subject to the rules, regulations, and guidelines of the Community. Payment of the service provider, including any applicable taxes, shall be the responsibility of the Resident. The Resident may not employ employees of the Community as service providers.

D. **Entire Agreement.** This Agreement constitutes the entire Agreement between the Community and the Resident. The Community shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or presuming to represent the Community, unless such statements, representations, or promises are set forth in this Agreement.

E. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Community and the heirs, executors, successors, and assigns of the Resident.

F. **Durable General Power of Attorney, Health Care Power of Attorney, Will, and Advance Medical Directive.** The Resident shall execute and maintain a durable General Power of Attorney and a Health Care Power of Attorney designating a competent person as attorney-in-fact for the Resident. The Resident shall execute a Last Will and Testament. The Community encourages an Advance Medical Directive. The Resident shall provide to, and at all times maintain with, the Community with current copies of the General Power of Attorney and Health Care Power of Attorney, as well as the location of the Last Will and Testament.

G. Transfer of Property. The Resident agrees not to make any gift or other transfer of property for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render Resident unable to meet such obligations. The Resident also agrees to comply with all the Community's policies prohibiting and/or regarding the making of gifts or donations to or for the benefit of the Community's employees such employees' spouses and/or relatives.

H. Property Disposition Upon Transfer or Death.

1. In the event of the Resident's permanent transfer from the Residence to some other living accommodation, all of the Resident's property shall be removed from the Residence within fifteen (15) days after notice by the Community to the Resident or their duly named representative.

2. In the event of the Resident's death while still residing in the Residence, his duly named representative shall have a fifteen (15) day period after notification or transfer for removal of Resident's property from the Residence. In the event of death of Resident after transfer from the Residence to the Health Care Center, his property must be removed from their Health Care Center room within seventy-two (72) hours after notice.

3. If such property is not removed within such periods of time by the Resident's duly named representative, the Community shall have the right to remove and store such property for thirty (30) days; and thereafter, if such property is not claimed and storage fees are incurred by the Community, then title to such property shall be vested in the Community and the property shall be disposed of as the Community, in its sole discretion, deems proper, without any liability of the Community to the Resident, the Resident's estate or heirs.

4. Any expenses incurred by the Community in disposing of the Resident's property hereunder shall be added to the final Monthly Fee charged to the Resident.

I. No Ownership Interest. The rights and privileges granted under this Agreement do not include any leasehold rights or interests nor include any right, title, or interest in any part of the personal property, land, buildings, or improvements owned or administered by the Community. Resident's rights are primarily for services, with a contractual right of residency. Any rights, privileges, or benefits under this Agreement or any interest or contractual rights of any nature in the Community, including the right to any refund of the Entrance Fee or other benefit or payment hereunder, are and shall be subordinate in priority, right, claim, and interest to any lien, charge, mortgage or other security interest or agreement now or hereafter placed on or affecting the Community or any of the Community's real or personal property, and to any amendment, modification, replacement, or refunding thereof.

J. Joint and Several Liability of Co-Residents. If this is a joint Agreement by Co-Residents, the Residents hereby agree (i) to be bound jointly and severally by the terms and conditions hereof, (ii) to make provision in his or her respective estate planning documents (whether by will, trust, survivorship, pay-on-death, beneficiary designation, or other designation) to satisfy the continuing obligations of the surviving Resident under this Agreement after the death of the first Resident to die, and (iii) that such obligations shall become an obligation of his

or her estate, and (iv) comply with VIII.G with respect to each other. Each Co-Resident agrees to provide the Community from time to time, upon request, with written evidence satisfactory to the Community of each Resident’s compliance with the obligations under this Paragraph.

K. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Virginia without regard to Virginia’s conflicts of law provisions.

L. Notice Provisions. Any notices, consents, or other communications to the Community hereunder (collectively “notices”) shall be in writing and addressed as follows:

Executive Director
The Village at Orchard Ridge
400 Clocktower Ridge Drive
Winchester, VA 22603

The address of the Resident for the purpose of giving notice is the address appearing after the signature of the Resident below.

M. Licensing Agencies. Following are the relevant addresses of the Offices of the Bureau of Insurance, Virginia Department of Social Services and Virginia Department of Health, from which the Community’s licenses to operate are issued:

Virginia State Corporation Commission
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

Department of Social Services
Commonwealth of Virginia Northern Regional Office Division of Licensing
170 W. Shirley Avenue
Warrenton, Virginia 20186

Department of Health
Commonwealth of Virginia
Office of Licensure and Certification
9960 Mayland Drive, Suite 401
Richmond, VA 23233

IN WITNESS WHEREOF, The Village at Orchard Ridge, Inc. has executed this Agreement and Resident has read and understands this Agreement and has executed this Agreement and the Entrance Fee has been paid as of the day and year above written.

Witness

Resident

Witness

Resident

Current Address (Number and Street)

City, State and Zip Code

Telephone

THE VILLAGE AT ORCHARD RIDGE, INC.

Date: _____

By:  _____

The Village at Orchard Ridge, Inc.

Financial Report

December 31, 2021

CONTENTS

Independent Auditor's Report	1 - 2
------------------------------	-------

Financial Statements:

Balance Sheets	3 - 4
Statements of Operations	5
Statements of Changes in Net (Deficit)	6
Statements of Cash Flows	7 - 8
Notes to Financial Statements	9 - 25

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Village at Orchard Ridge, Inc.

Report on the Audits of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of a Matter

As discussed in Note 15 to the financial statements, the Organization received government funding through the Small Business Administration (SBA) Paycheck Protection Program (PPP) and the U.S. Department of Health and Human Services (HHS) Provider Relief Fund (PRF) consequent to the operating conditions created by the COVID-19 pandemic. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Baker Tilly US, LLP

New Castle, Pennsylvania
April 21, 2022

THE VILLAGE AT ORCHARD RIDGE, INC.

BALANCE SHEETS

December 31, 2021 and 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,616	\$ 34,815
Accounts receivable, net	382,487	262,331
Prepaid expenses and other assets	80,831	120,512
Current portion of pledges receivable	20,500	33,000
Current portion of assets whose use is limited	3,691,322	3,921,536
Total current assets	4,210,756	4,372,194
ASSETS WHOSE USE IS LIMITED, net	3,405,269	5,601,722
INVESTMENTS	2,155,689	1,838,515
BENEFICIAL INTEREST IN SUPPORTING ORGANIZATION	10,839,719	13,602,458
PROPERTY AND EQUIPMENT, net	135,105,603	141,165,028
PLEDGES RECEIVABLE, net	25,453	44,379
FUNDS HELD IN TRUST BY OTHERS	23,810	-
Total assets	\$ 155,766,299	\$ 166,624,296

See Notes to Financial Statements

LIABILITIES AND NET (DEFICIT)	2021	2020
CURRENT LIABILITIES		
Accounts payable, trade	\$ 143,829	\$ 445,988
Accrued interest	2,481,322	2,566,536
Accrued expenses	1,082,462	1,000,540
Current portion of long-term debt	1,210,000	1,355,000
Refundable advances	-	221,445
Total current liabilities	4,917,613	5,589,509
RESIDENT DEPOSITS	228,363	401,470
DEFERRED REVENUE FROM ENTRANCE FEES	28,560,152	28,829,896
REFUNDABLE ENTRANCE FEES	49,407,677	50,530,078
LONG-TERM DEBT, net	76,558,264	77,638,622
DUE TO AFFILIATES, net	5,808,784	10,073,866
Total liabilities	165,480,853	173,063,441
NET ASSETS (DEFICIT)		
Without donor restrictions	(11,461,539)	(7,947,658)
With donor restrictions	1,746,985	1,508,513
Total net (deficit)	(9,714,554)	(6,439,145)
Total liabilities and net (deficit)	\$ 155,766,299	\$ 166,624,296

See Notes to Financial Statements

THE VILLAGE AT ORCHARD RIDGE, INC.

STATEMENTS OF OPERATIONS

Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET (DEFICIT) WITHOUT DONOR RESTRICTIONS		
Revenue:		
Net resident service revenue, including amortization of entrance fees 2021 \$4,306,092; 2020 \$5,388,996	\$ 21,389,904	\$ 22,470,272
Provider Relief Funds	30,245	364,262
Paycheck Protection Program contribution	-	1,311,800
Net assets released from restrictions, operations	19,072	65,048
Total operating revenue	21,439,221	24,211,382
Operating expenses:		
Salaries and wages	4,734,152	4,951,268
Employee benefits and payroll taxes	1,050,580	1,370,855
Professional fees	2,193,959	1,635,539
Ancillary and medical	947,199	1,008,408
Supplies	467,513	570,523
Food services	903,898	924,611
Utilities	949,753	919,038
Depreciation	6,868,664	6,909,521
Interest	5,247,196	5,372,650
Insurance	165,812	142,122
Real estate taxes	597,878	543,667
Repairs and maintenance	520,044	591,629
Advertising and marketing	195,242	129,544
Licenses, dues, and subscriptions	377,744	384,001
Other operating expenses	301,752	243,515
Bad debt expense	28,732	-
Management fee	1,693,918	1,688,235
Total operating expenses	27,244,036	27,385,126
(Deficiency) of operating revenue over expenses	(5,804,815)	(3,173,744)
Nonoperating revenue (expense):		
Contributions	5,162	27,564
Interest and dividends	341,368	639,775
Realized gains (losses)	652,411	(94,378)
Unrealized gains	892,569	1,219,934
Other income	109,375	58,651
Total nonoperating revenue	2,000,885	1,851,546
(Deficiency) of operating and nonoperating revenue over expenses	(3,803,930)	(1,322,198)
Other changes:		
Unrealized gains	280,684	281,188
Net assets released from restrictions, capital purchases	9,365	34,189
Total other changes	290,049	315,377
Change in net (deficit) without donor restrictions	\$ (3,513,881)	\$ (1,006,821)

See Notes to Financial Statements

THE VILLAGE AT ORCHARD RIDGE, INC.

STATEMENTS OF CHANGES IN NET (DEFICIT)

Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET (DEFICIT) WITHOUT DONOR RESTRICTIONS		
(Deficiency) of operating and nonoperating revenue over expenses	\$ (3,803,930)	\$ (1,322,198)
Unrealized gains	280,684	281,188
Net assets released from restrictions, capital purchases	9,365	34,189
Change in net (deficit) without donor restrictions	(3,513,881)	(1,006,821)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	266,909	244,522
Net assets released from restrictions	(28,437)	(99,237)
Change in net assets with donor restrictions	238,472	145,285
Change in net (deficit)	(3,275,409)	(861,536)
Net (deficit):		
Beginning	(6,439,145)	(5,577,609)
Ending	\$ (9,714,554)	\$ (6,439,145)

See Notes to Financial Statements

THE VILLAGE AT ORCHARD RIDGE, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net (deficit)	\$ (3,275,409)	\$ (861,536)
Adjustments to reconcile change in net (deficit) to net cash provided by operating activities:		
Depreciation	6,868,664	6,909,521
Provision for bad debts	28,732	-
Amortization of deferred financing costs	167,874	167,043
Amortization of entrance fees	(4,306,092)	(5,388,996)
Proceeds from non-refundable entrance fees	4,171,858	4,040,075
Realized (gains) losses	(652,411)	94,378
Unrealized gains	(1,173,253)	(1,501,122)
Change in value of funds held in trust by others	(23,810)	-
Changes in assets and liabilities:		
Accounts receivable	(148,888)	168,187
Prepaid expenses and other assets	39,681	19,844
Accounts payable and accrued expenses	(305,451)	163,208
Refundable advances	(221,445)	221,445
Net cash provided by operating activities	1,170,050	4,032,047
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments and assets whose use is limited	(311,364)	(666,177)
Purchases of property and equipment	(809,239)	(615,799)
Net cash (used in) investing activities	(1,120,603)	(1,281,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,355,000)	(1,265,000)
Payments for financing costs	(38,232)	-
Proceeds from refundable entrance fees, turnover units	3,943,240	4,651,553
Refunds of entrance fees	(5,201,151)	(3,101,047)
Net change in resident deposits	(173,107)	28,291
Change in pledges receivable, net	31,426	15,372
Change in due to affiliates, net	334,918	(559,685)
Net cash (used in) financing activities	(2,457,906)	(230,516)
Net increase (decrease) in cash and cash equivalents and restricted cash	(2,408,459)	2,519,555
Cash and cash equivalents and restricted cash:		
Beginning	10,405,610	7,886,055
Ending	\$ 7,997,151	\$ 10,405,610
Cash and cash equivalents and restricted cash include:		
Cash and cash equivalents	\$ 35,616	\$ 34,815
Assets held under trust indenture	7,096,591	9,523,258
Cash, restricted by donors or grantors for specific purposes	864,944	847,537
	\$ 7,997,151	\$ 10,405,610

See Notes to Financial Statements

	2021	2020
<hr/>		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 4,994,108</u>	<u>\$ 5,167,450</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Beneficial interest in supporting organization	<u>\$ (4,600,000)</u>	<u>\$ (9,455,000)</u>

See Notes to Financial Statements

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Nature of Organization: The Village at Orchard Ridge, Inc. (Organization), a Virginia not-for-profit corporation, operates a continuing care retirement community in Winchester, Virginia. The community opened during February 2013 and now consists of 324 independent living units, 20 skilled nursing units, and 18 assisted living units. Effective January 1, 2022, independent living units were reduced to 308.

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

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

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

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

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

Accounts receivable: Accounts receivable from residents are reported at estimated net realizable value taking into account estimated implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in health care coverage, and other collection indicators. For receivables associated with services provided to residents who have third-party coverage (which includes deductible and payment balances for which third-party coverage exists for part of the bill), the Organization analyzes contractually due amounts and provides an allowance for explicit price concessions, if necessary. Throughout the year, management assesses the adequacy of the estimated price concessions based upon its review of accounts receivable payor composition and aging, taking into consideration recent experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to patient and resident service revenue and to establish an appropriate estimate for price concessions. The Organization has included a reserve within the estimated implicit price concessions of \$25,239 and \$19,746 as of December 31, 2021 and 2020, respectively, which have been recorded as reductions to resident accounts receivable.

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Pledges receivable: Pledges receivable are stated at outstanding balances and are discounted for their present value. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. An allowance for uncollectable pledges is based on management's assessment of the collectability of pledges receivable and was \$12,000 and \$20,600 as of December 31, 2021 and 2020, respectively.

Entrance fees: The Organization's policy requires payment of an entrance fee for admittance to an independent living residence under a type C fee-for-service contract. The Organization currently offers a traditional entrance fee, 50% guaranteed refund, and a 100% guaranteed refund entrance fee option. The refundable portion of the traditional entrance fee is calculated based on an 18 month amortization period after applying a 10% administrative fee. After 18 months of occupancy, no refund is payable to the resident. The refundable portion of the 50% entrance fee is calculated based on an 8 month amortization period after applying a 10% administrative fee. After 8 months of occupancy, the refund payable to the resident is limited to 50% of the entrance fee. The 100% entrance fee guarantees a 100% refund of the entrance fee paid. Contracts containing varying refund provisions no longer offered by the Organization to new residents remain in force.

The non-refundable portion of the entrance fees are accounted for as deferred revenue from entrance fees and are amortized into earned revenue using the straight-line method over the estimated remaining life of the residents over the contractual term of the contract. At the time of death or contract termination, the remaining nonrefundable balance is recognized as revenue. The remaining life expectancy of the residents is adjusted annually based on actuarial information. The refundable portion of the entrance fees is not amortized into income and is reported as refundable entrance fees liability. Contractual refund obligations amounted to \$49,407,677 and \$50,530,078 as of December 31, 2021 and 2020, respectively.

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

Deferred financing costs: Financing costs were incurred in connection with the issuance of long-term debt. These costs are reported on the accompanying balance sheets as a reduction of long-term debt and are being amortized over the life of the debt using the straight-line method, which approximates the effective interest method. The amortization of deferred financing costs, included in interest expense on the accompanying statements of operations, totaled \$167,874 and \$167,043 for the years ended December 31, 2021 and 2020, respectively. Accumulated amortization was \$1,274,828 and \$1,106,954 as of December 31, 2021 and 2020, respectively.

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

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

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

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

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

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

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

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

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which during the contractual term of the contract approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenue from entrance fees on the balance sheets. Amortization of nonrefundable entrance fees included in net resident service revenue amounted to \$4,306,092 and \$5,388,996 for the years ended December 31, 2021 and 2020, respectively.

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

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

	2021				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 1,134,833	\$ 1,821,071	\$ 12,451,387	\$ 72,349	\$ 15,479,640
Medicare	1,365,797	-	-	-	1,365,797
Medicaid	-	-	-	-	-
Commercial insurance	238,375	-	-	-	238,375
Amortization of nonrefundable entrance fees	-	-	4,306,092	-	4,306,092
Total	\$ 2,739,005	\$ 1,821,071	\$ 16,757,479	\$ 72,349	\$ 21,389,904

	2020				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 1,072,206	\$ 1,787,033	\$ 12,306,101	\$ 181,940	\$ 15,347,280
Medicare	1,388,132	-	-	-	1,388,132
Medicaid	171,700	-	-	-	171,700
Commercial insurance	174,164	-	-	-	174,164
Amortization of nonrefundable entrance fees	-	-	5,388,996	-	5,388,996
Total	\$ 2,806,202	\$ 1,787,033	\$ 17,695,097	\$ 181,940	\$ 22,470,272

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

Medicare: Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments.

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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

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

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

Advertising: The Organization expenses advertising costs as incurred. Advertising expense totaled approximately \$195,000 and \$130,000 for the years ended December 31, 2021 and 2020, 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 net unrealized gains on alternative investments measured at NAV and debt securities and net assets released from restrictions used for capital purchases.

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

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

Subsequent events: The Organization has evaluated subsequent events for recognition and disclosure through April 21, 2022, which is the date the financial statements were issued.

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Liquidity and Availability of Resources

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

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 35,616	\$ 34,815
Accounts receivable	382,487	262,331
Investments	2,155,689	1,838,515
Beneficial interest in supporting organization	10,839,719	13,602,458
Total financial assets	\$ 13,413,511	\$ 15,738,119

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

Note 3. Concentrations of Credit Risk

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

	2021	2020
Commercial	60 %	51 %
Medicare	27	23
Self-pay	13	22
Medicaid	-	4
	100 %	100 %

Note 4. Fair Value Measurements

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

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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

	2021			
	Carrying Value	Fair Value	Level I	Level II
Reported at fair value:				
Assets:				
Investments, beneficial interest in supporting organization, and assets whose use is limited:				
Cash and cash equivalents	\$ 7,130,650	\$ 7,130,650	\$ 7,130,650	\$ -
Equity securities	272,478	272,478	272,478	-
Mutual funds	1,725,762	1,725,762	1,725,762	-
Exchange traded funds	41,861	41,861	-	41,861
Bonds	81,529	81,529	-	81,529
Beneficial interest in supporting organization	10,299,754	10,299,754	7,942,602	2,357,152
Total	19,552,034	19,552,034	\$ 17,071,492	\$ 2,480,542
Beneficial interest in supporting organization alternative investment measured at NAV	539,965	539,965		
Total assets	\$ 20,091,999	\$ 20,091,999		
Disclosed at fair value:				
Cash and cash equivalents	\$ 35,616	\$ 35,616	\$ 35,616	\$ -
Pledges receivable, net	\$ 45,953	\$ 45,953	\$ -	\$ 45,953

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

	2020			
	Carrying Value	Fair Value	Level I	Level II
Reported at fair value:				
Assets:				
Investments, beneficial interest in supporting organization, and assets whose use is limited:				
Cash and cash equivalents	\$ 9,544,916	\$ 9,544,916	\$ 9,544,916	\$ -
Equity securities	261,473	261,473	261,473	-
Mutual funds	1,450,993	1,450,993	1,450,993	-
Exchange traded funds	34,721	34,721	-	34,721
Bonds	69,670	69,670	-	69,670
Beneficial interest in supporting organization	12,893,648	12,893,648	9,706,382	3,187,266
Total	24,255,421	24,255,421	\$ 20,963,764	\$ 3,291,657
Beneficial interest in supporting organization alternative investment measured at NAV				
	708,810	708,810		
Total assets	\$ 24,964,231	\$ 24,964,231		
Disclosed at fair value:				
Cash and cash equivalents	\$ 34,815	\$ 34,815	\$ 34,815	\$ -
Pledges receivable, net	\$ 77,379	\$ 77,379	\$ -	\$ 77,379

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 12.89% and 18.58% of the combined investments are attributable to the Organization as of December 31, 2021 and 2020, respectively. The percentage of combined investments is calculated based on a monthly cost basis adjusted for any deposits or withdrawals specific to the Organization. Investment income is also based on this allocation.

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

	2020			
	Carrying Value	Fair Value	Level I	Level II
Beneficial interest in supporting organization:				
Cash and cash equivalents	\$ 737,425	\$ 737,425	\$ 737,425	\$ -
Equity securities:				
Consumer discretionary	1,888,828	1,888,828	1,888,828	-
Consumer staples	395,131	395,131	395,131	-
Energy	270,386	270,386	270,386	-
Financial	833,516	833,516	833,516	-
Health care	795,551	795,551	795,551	-
Industrials	741,894	741,894	741,894	-
Information technology	1,249,522	1,249,522	1,249,522	-
Materials	465,013	465,013	465,013	-
Real estate	510,254	510,254	510,254	-
Utilities	213,159	213,159	213,159	-
Other	15,007	15,007	15,007	-
Mutual funds:				
Fixed income	809,605	809,605	809,605	-
Equity	781,091	781,091	781,091	-
Fixed income securities:				
Corporate bonds	1,947,964	1,947,964	-	1,947,964
U.S. government and agency bonds	1,239,302	1,239,302	-	1,239,302
Subtotal	12,893,648	12,893,648	<u>\$ 9,706,382</u>	<u>\$ 3,187,266</u>
Alternative investment measured at NAV	708,810	708,810		
Total	<u>\$ 13,602,458</u>	<u>\$ 13,602,458</u>		

The Organization has no financial assets or liabilities that are recorded at fair value on a nonrecurring basis. There were no transfers between Level I, Level II, or Level III during the years ended December 31, 2021 or 2020.

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

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

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

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

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

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

Alternative investment is comprised of a hedge fund. The Organization measures the fair value of the alternative investment based on net asset value (NAV) as calculated on the reporting entity's measurement date. The Organization measures the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV of the Organization as of the valuation date. In using the NAV as a practical expedient, certain attributes of the investment, that may impact the fair value of the investment, are not considered in measuring fair value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date at NAV as well as any unfunded commitments. The Organization's share of the beneficial interest in supporting organization's alternative investments as of December 31, 2021 and 2020, was \$539,965 and \$708,810, respectively. The investment strategy for Ironwood Institutional Multi-Strategy Fund (Fund) is capital appreciation with limited variability of returns. The Fund invests exclusively in other private investment companies, which invests substantially all of its assets in hedge funds and other similar investment vehicles that are managed by a select group of portfolio managers who invest in a variety of financial markets and utilize a broad range of alternative investment strategies. There were no unfunded commitments as of December 31, 2021 or 2020, and there is a monthly or quarterly redemption notice of 15 - 120 days.

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

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

The following investments are included in assets whose use is limited presented on the balance sheets as of December 31:

	2021	2020
Investments	<u>\$ 2,155,689</u>	<u>\$ 1,838,515</u>
Beneficial interest in supporting organization	<u>\$ 10,839,719</u>	<u>\$ 13,602,458</u>
Assets held under trust indenture (2011 bonds):		
Debt service reserve	\$ 1,671,255	\$ 1,671,086
Interest	1,223,166	1,232,123
Principal	863,929	3,254,882
Assets held under trust indenture (2014 bonds):		
Debt service reserve	2,035,700	2,035,829
Interest	1,302,541	1,323,338
Other	-	6,000
	<u>7,096,591</u>	<u>9,523,258</u>
Less current portion	<u>(3,691,322)</u>	<u>(3,921,536)</u>
Assets whose use is limited, net	<u>\$ 3,405,269</u>	<u>\$ 5,601,722</u>

THE VILLAGE AT ORCHARD RIDGE, INC.**NOTES TO FINANCIAL STATEMENTS****Note 6. Property and Equipment**

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

	2021	2020
Land	\$ 14,870,825	\$ 14,870,825
Land improvements	11,815,830	11,789,441
Buildings and building improvements	146,654,423	146,114,749
Furniture and equipment	10,382,452	10,258,119
Construction in progress	187,641	68,798
	<u>183,911,171</u>	<u>183,101,932</u>
Less accumulated depreciation	<u>(48,805,568)</u>	<u>(41,936,904)</u>
	<u>\$ 135,105,603</u>	<u>\$ 141,165,028</u>

Note 7. Long-Term Debt

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

	2021	2020
Series 2011A Residential Care Facility Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through July 2045. Interest is payable at a fixed rate of 6.50 percent through maturity.	\$ 37,635,000	\$ 38,110,000
Series 2014A Residential Care Facility Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through July 2049. Interest is payable at a fixed rate of 6.00 percent through maturity.	34,655,000	35,280,000
Series 2014B Residential Care Facility Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through July 2049. Interest is payable at a fixed rate of 4.63 percent through maturity.	9,440,000	9,695,000
	<u>81,730,000</u>	<u>83,085,000</u>
Less current portion	1,210,000	1,355,000
Less deferred financing costs, net of accumulated amortization	3,961,736	4,091,378
Total long-term debt, net	<u>\$ 76,558,264</u>	<u>\$ 77,638,622</u>

As security for the payment of the bonds, the Organization granted a lien and security interest in the mortgaged premises and assigned all their respective pledged assets, including gross receipts, inventory, accounts receivables, contracts rights, general intangibles, and other as defined in the documents. Additionally, NLI and National Lutheran Home for the Aged, Inc. entered into support agreements guaranteeing the repayment of the bonds as additional security. The support agreements will terminate upon the achievement of certain financial performance targets as defined in the agreements. During 2021, a debt modification of the 2014 A and B bonds was executed. The debt modification lowered interest rates and modified the future amortization of the debt.

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Annual aggregate maturities of long-term debt for the next five years and thereafter are as follows as of December 31, 2021:

Years Ending December 31:

2022	\$	1,210,000
2023		1,295,000
2024		1,380,000
2025		1,440,000
2026		1,535,000
Thereafter		74,870,000
	\$	<u>81,730,000</u>

Note 8. Net Assets (Deficit)

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

	2021	2020
Net assets (deficit):		
Without donor restrictions:		
Undesignated	<u>\$ (11,461,539)</u>	<u>\$ (7,947,658)</u>
With donor restrictions:		
Purpose restricted for:		
Operations	349,129	331,252
Capital projects	515,811	516,280
Restricted in perpetuity	<u>882,045</u>	<u>660,981</u>
	<u>1,746,985</u>	<u>1,508,513</u>
Total net (deficit)	<u>\$ (9,714,554)</u>	<u>\$ (6,439,145)</u>

For the years ended December 31, 2021 and 2020, net assets of \$28,437 and \$99,237, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes.

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

Note 9. Related Party Transactions

NLI is the sole member of the Organization and provides support in the form of management and support services in exchange for management fees and provides additional capital support when needed. The Organization incurred management fees to NLI totaling \$1,693,918 and \$1,688,235 for the years ended December 31, 2021 and 2020, respectively.

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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

	2021	2020
NLI	\$ 5,808,784	\$ 14,630,435
National Lutheran Home for the Aged, Inc.	-	(5,081,869)
The Village at Rockville, Inc.	-	1,224,751
myPotential Clinic-Rockville, LLC	-	(59,359)
The Legacy at North Augusta, Inc.	-	(212,911)
myPotential Virginia, LLC	-	(418,964)
The Village at Augsburg	-	(8,217)
	\$ 5,808,784	\$ 10,073,866

Note 10. Expenses by Nature and Function

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

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

	2020		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 4,498,196	\$ 453,072	\$ 4,951,268
Employee benefits and payroll taxes	1,203,195	167,660	1,370,855
Professional fees	1,283,794	351,745	1,635,539
Ancillary and medical	1,008,408	-	1,008,408
Supplies	534,576	35,947	570,523
Food services	922,331	2,280	924,611
Utilities	915,126	3,912	919,038
Depreciation	6,909,521	-	6,909,521
Interest	5,205,607	167,043	5,372,650
Insurance	142,122	-	142,122
Real estate taxes	543,667	-	543,667
Repairs and maintenance	566,875	24,754	591,629
Advertising and marketing	129,544	-	129,544
Licenses, dues, and subscriptions	65,829	318,172	384,001
Other operating expenses	187,823	55,692	243,515
Management fee	-	1,688,235	1,688,235
Total	\$ 24,116,614	\$ 3,268,512	\$ 27,385,126

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

Note 11. Benevolent Care

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

The Organization maintains records to identify and monitor the level of benevolent care it provides. The estimated cost of providing benevolent care is based upon the direct and indirect costs identified with the specific benevolent care provided. The cost of benevolent care provided amounted to \$0 for the years ended December 31, 2021 and 2020, respectively. Benevolent care related to the Medicaid program amounted to approximately \$0 and \$136,000 for the years ended December 31, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan

The Organization participates in a 403(b) defined contribution plan (Plan). The Plan was amended on January 1, 2020. Prior to January 1, 2020, the Organization contributed 2% of each eligible employee's salary and matched 50% of each employee's contribution up to 8% after 90 days of service for a maximum contribution of 6%. On and after January 1, 2020, the amended Plan states the Organization shall make a Safe Harbor contribution in an amount equal to 100% of each employee's contribution, up to a maximum of 3% of such participant's compensation. In addition, the Organization will contribution 50% of each employee's contribution up to the next 2% of such participant's compensation for each payroll period. All participating employees' contributions are 100% vested and employer contributions are vested at 20% per year to 100% after five years. Employer contributions totaled \$65,552 and \$78,159 for the years ended December 31, 2021 and 2020, respectively, and are recorded in employee benefits and payroll taxes on the statements of operations.

Note 13. Medical Malpractice and General Liability Claims Coverage

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

Note 14. Contingencies

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

The Organization entered into certain commitments in March 2022, relative to a Solar Project that management believes will deliver energy savings to the Organization. Site development and other construction are planned for calendar year 2022, with possible construction completion by December 31, 2022, and utility interconnection during the first quarter of 2023.

The Organization entered into a construction commitment in March 2022, relative to an independent living unit conversion to assisted living. The construction commitment is for approximately \$665,000.

Note 15. COVID-19 Pandemic

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

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

THE VILLAGE AT ORCHARD RIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

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

U.S. Department of Health and Human Services (HHS) Provider Relief Fund: During the years ended December 31, 2021 and 2020, the Organization received funds through the HHS PRF program established by the CARES Act in the amount of \$54,642 and \$566,865, respectively, for a total of \$621,507 between both years. According to guidance provided by the HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by the HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenue or COVID-19 expenses, the funds must be returned to the HHS.

The balance of advanced PRF funds unused to offset lost revenue and qualified expenditure is reported in refundable advances on the balance sheets, which amounted to \$0 and \$221,445 as of December 31, 2021 and 2020, respectively. Based on the Organization's calculation of lost revenue and COVID-19 expenses, the Organization has recognized \$30,245 and \$364,262 as Provider Relief Funds during the years ended December 31, 2021 and 2020, respectively. During 2021, \$227,000 was allocated back to the parent, NLI. While the Organization has utilized all available current information in determining the proper utilization and accounting for these funds, additional guidance is expected that could have a material impact on how the Organization has recognized PRF.

Paycheck Protection Program Loan: In April 2020, the Organization obtained loans totaling \$1,311,800 under the Paycheck Protection Program pursuant to the CARES Act. The Organization initially elected to account for the PPP loans as a liability when received.

The proceeds from the loans had to be spent on qualifying expenses such as covered payroll costs, mortgage interest on real or personal property, rental obligations on real or personal property, and covered utility costs allowed under the CARES Act. The Organization had selected the twenty-four week covered period as allowed under the CARES Act. The Organization used the loan proceeds in accordance with the terms of the PPP and applied for forgiveness from the financial institution once the proceeds were fully expended. The Organization applied for forgiveness on October 21, 2020. While the Organization was still pending approval from the Small Business Administration (SBA) as of December 31, 2020, the financial institution had recommended to the SBA that forgiveness be granted. The Organization had maintained adequate records and believed that all requirements under the PPP guidelines had been met to achieve loan forgiveness. As such, the total loan amount was recognized as revenue and included in Paycheck Protection Program contribution on the statement of operations for the year ended December 31, 2020. The Organization received SBA approval for loan forgiveness on February 17, 2021.

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

The Organization took advantage of this program and applied and received \$361,609 which is included in accounts payable as of December 31, 2020. Due to the Recoupment and Reconciliation process of this program, takebacks during the year ended December 31, 2021, amounted to \$227,305, leaving a remaining balance of \$134,304.

The Village at Orchard Ridge, Inc.

Report on Compliance with Debt Covenants

December 31, 2021

CONTENTS

Independent Auditor's Report	1
<hr/>	
Long-Term Debt Service Coverage Ratio	2
Days Cash on Hand	3



Baker Tilly US, LLP
2599 Wilmington Road
New Castle, PA 16105
United States of
America

T: +1 (724) 658 1565
F: +1 (724) 658 2402
bakertilly.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Village at Orchard Ridge, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the balance sheet of The Village at Orchard Ridge, Inc. (Organization) as of December 31, 2021, and the related statements of operations, changes in net (deficit), and cash flows for the year then ended, and have issued our report thereon dated April 21, 2022.

In connection with our audit of the financial statements referred to above, nothing came to our attention that caused us to believe that the Organization failed to comply with the terms, covenants, provisions, or conditions of the Master Trust Indenture dated July 1, 2011 (as amended and supplemented), between the Organization, as borrower, and Wells Fargo Bank, National Association, as Master Trustee, insofar as they relate to accounting matters. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of such noncompliance. The methods of calculating the Long-Term Debt Service Coverage Ratio and Days Cash on Hand calculation schedules are in accordance with Sections 3.08 and 3.16 of the Master Trust Indenture, respectively. Effective January 25, 2019, Wilmington Trust, National Association replaced Wells Fargo Bank, National Association as Master Trustee.

This report is intended solely for the information and use of the Board of Trustees and Wilmington Trust, National Association, and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly US, LLP

New Castle, Pennsylvania
April 21, 2022

The Village at Orchard Ridge, Inc.
Long-Term Debt Service Coverage Ratio
For the Year Ended December 31, 2021

(Deficiency) of operating and nonoperating revenue over expenses	\$	(3,803,930)
Exclude:		
Unrealized gains		(892,569)
Amortization of entrance fees		(4,306,092)
Deduct:		
Refunds of entrance fees		(5,201,151)
Unrestricted contributions		(5,162)
Add back:		
Depreciation		6,868,664
Interest and amortization		5,215,734
Proceeds from entrance fees		8,115,098
Change in affiliate		1,734,917
Unrestricted contributions - 3 year average		<u>13,801</u>
 Income available for debt service (A)		 <u><u>\$ 7,739,310</u></u>
 Annual Debt Service:		
Principal	\$	1,355,000
Interest		<u>5,047,860</u>
 Annual debt service (B)		 <u><u>\$ 6,402,860</u></u>
 Long-Term Debt Service Coverage Ratio (A/B)		 <u><u>1.21</u></u>
 Long-Term Debt Service Coverage Ratio required		 <u><u>1.20</u></u>

The Village at Orchard Ridge, Inc.
Days Cash on Hand
For the Year Ended December 31, 2021

<hr/>	
Available Cash and Investments:	
Unrestricted cash	\$ 35,616
Beneficial interest in supporting organization	10,839,719
Endowment fund - unrestricted	<u>394,153</u>
Available cash and investments (A)	<u><u>\$ 11,269,488</u></u>
Expenses	\$ 27,244,036
Less:	
Depreciation	6,868,664
Amortization	167,874
Bad debt expense	<u>28,732</u>
Net expenses (B)	<u><u>\$ 20,178,766</u></u>
Daily cash needs (B/365) C	<u><u>\$ 55,284</u></u>
Days Cash on Hand (A/C)	<u><u>204</u></u>
Days Cash on Hand required	<u><u>120</u></u>

Summary of Financial Information
The Village at Orchard Ridge
April 30, 2022

	December 31, 2020	December 31, 2021
Total Assets	\$166,624,296	\$155,766,299
Total Liabilities	\$173,063,441	\$165,480,853
Total Net Assets	\$ (6,439,145)	\$ (9,714,554)
Total Operating Revenues	\$ 24,211,382	\$ 21,439,221
Total Operating Expenses	<u>\$ 27,385,126</u>	<u>\$ 27,244,036</u>
Operating Income (Loss)	\$ (3,173,744)	\$ (5,804,815)
Total Non-operating Revenue	\$ 2,166,923	\$ 2,290,934
Total Other Changes	<u>\$ 145,285</u>	<u>\$ 238,472</u>
Change in Net (Deficit) Assets	\$ (861,536)	\$ (3,275,409)

Narrative on Financial Condition:

The Village at Orchard Ridge (Orchard Ridge) completed Phase II construction in December 2016. This was the final phase of construction and included the addition of 80 entrance fee, independent living apartments, 23 rental, independent living apartments and 10 skilled nursing facility beds. The additional independent living apartments were available for occupancy on January 1, 2017 while the additional skilled nursing beds were available for occupancy on April 1, 2017. The following table summarizes average occupancy by level of service | care for The Village at Orchard Ridge for the fiscal year ending December 31, 2021:

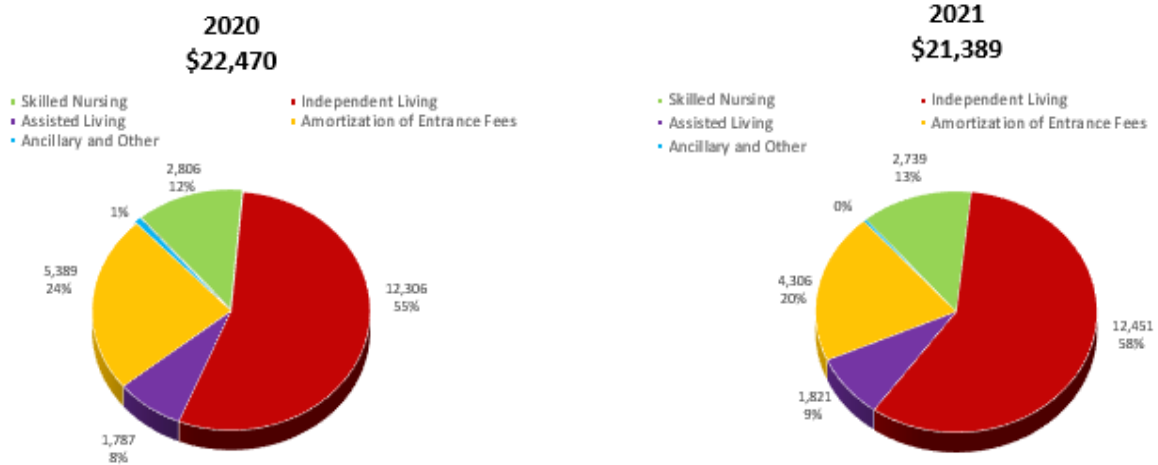
Level of Service Care:	Total Units Available	Average Units Occupied	Average Percentage Occupancy
Independent Living	324	311	96%
Assisted Living	18	17	96%
Nursing	20	14	69%

The following trends in revenues and expenses were noted for the twelve months ending December 31, 2021 vs. December 31, 2020, respectively:

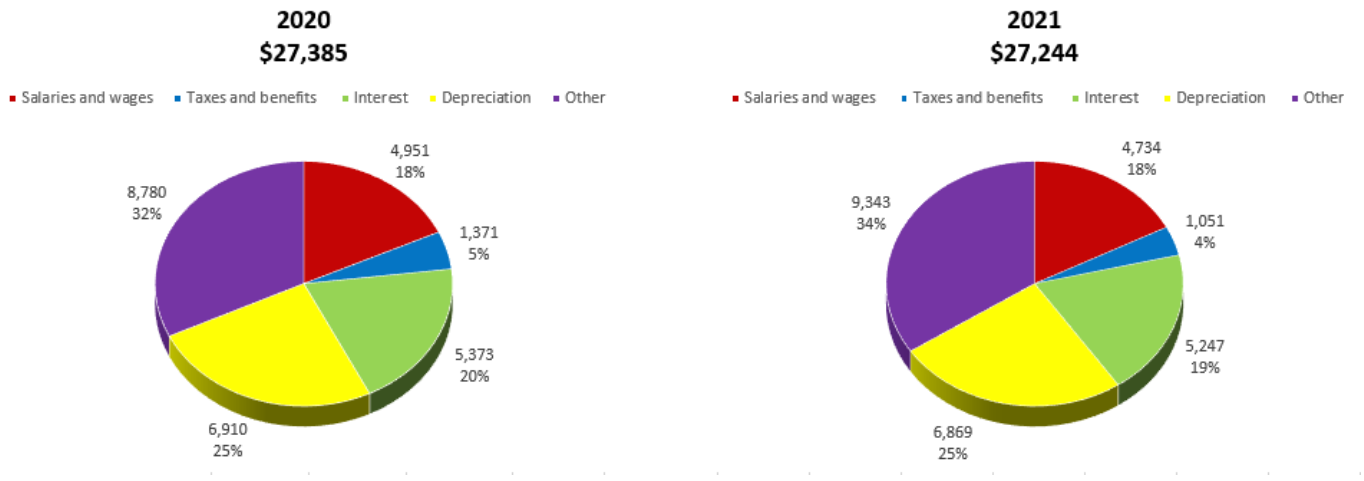
- Net resident service revenues decreased by ~\$1,080K or -4.81% for the FYE December 31, 2021 vs. 2020. Total operating revenues decreased by \$2.8M or -11.4% is because of the CARES ACT funds in received in year 2020: i) \$364K of HHS Provider Relief Funds; and ii) \$1.3M of Payroll Protection Program contributions;
- Total expenses decreased by approximately \$141K or -0.52%;
- Combined investment performance in 2021 was great than 2020 and reflects the investment portfolio’s asset allocation orientation towards value (vs. growth) equity investments; while
- Total other changes in assets are consistent with the prior year.
- There were approximately 95 full-time equivalent employees at December 31, 2021 vs. 107 FTEs as of December 31, 2020.

TVOR’s 2021 operating and financing performance compare favorably to industry standards as illustrated in the following graphs provided by Orchard Ridge’s external auditor, Baker Tilly US, LLP:

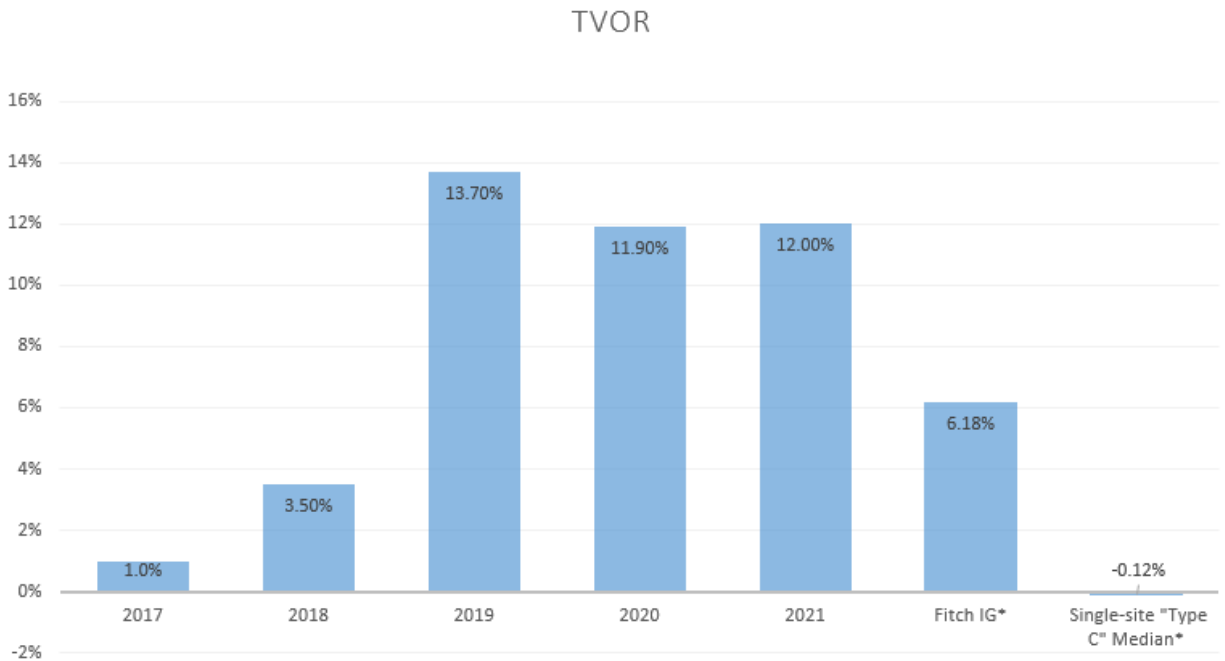
Net Resident Service Revenues By Level of Care – 2020 vs. 2021 (in \$000’s):



Expenses By Type – 2020 vs. 2021 (in \$000's):

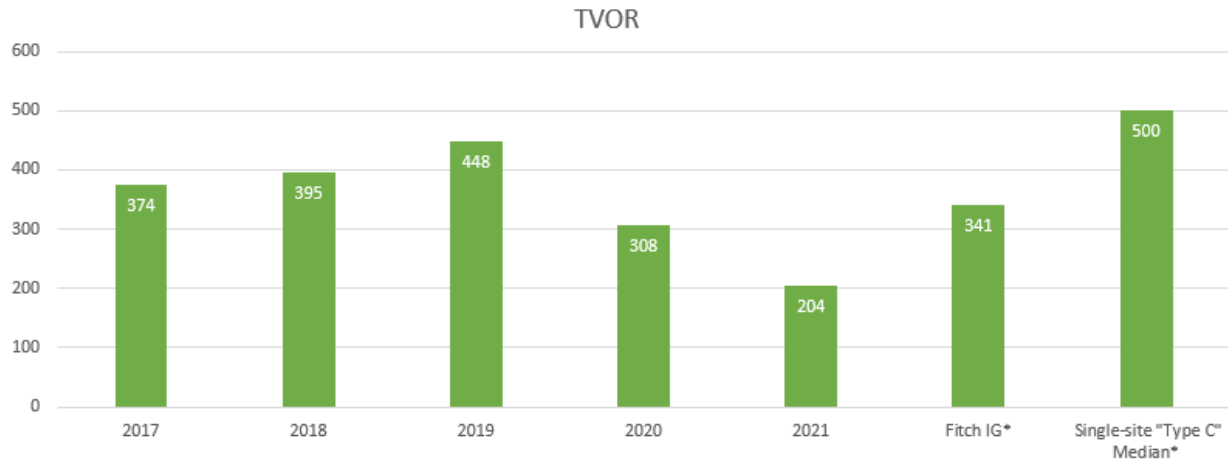


Net Operating Margin Ratio – 2017 to 2021:



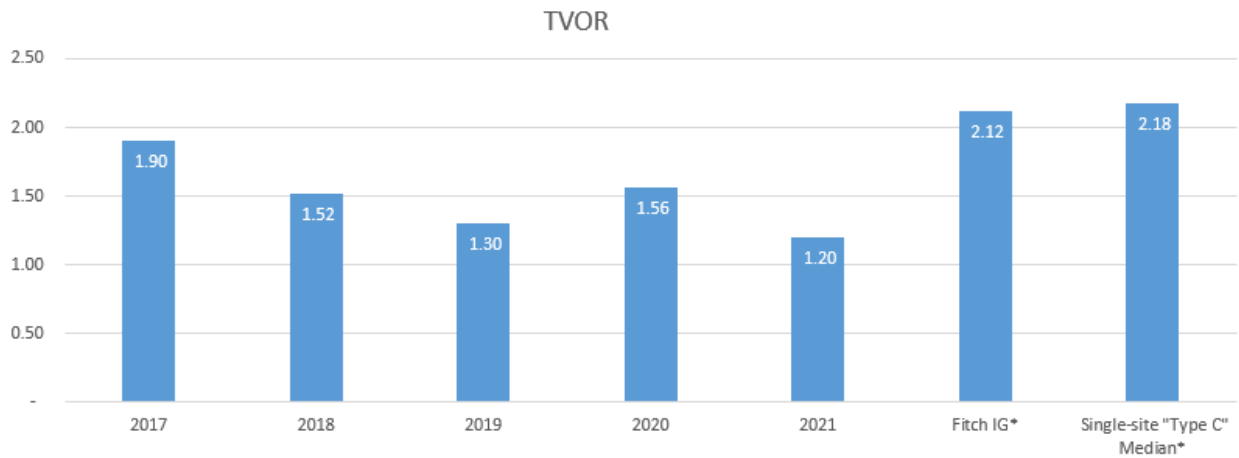
Net Operating Margin Ratio values are favorable comparing to CARF / CCAC and Fitch Type "C" (fee for service entrance fee contract) median values.

Days Cash on Hand – 2017 to 2021:



Days Cash on Hand compare to industry values for CARF / CCAC and Fitch Type “C” (fee for service entrance fee contract) median values and met levels required by Orchard Ridge’s loan documents.

Debt Service Coverage Ratio – 2017 to 2021:



The Debt Service Coverage Ratio is slightly below industry values for CARF / CCAC and Fitch Type “C” (fee for service entrance fee contract) median values but met levels required by Orchard Ridge’s loan documents.