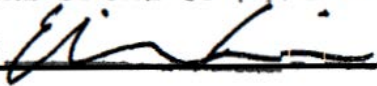


FILED
Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
September 29, 2022
Commissioner of Insurance
BY: 

PINNACLE

LIVING

a Continuing Care Provider
5101 Cox Road, Suite 225,
Glen Allen, VA 23060

PINNACLE ADVANTAGE

Community Based Continuing Care Program

Disclosure Statement For:

Cedarfield

2300 Cedarfield Parkway
Richmond, Virginia 23233-1938

September 2022

This is a disclosure statement intended to comply with the provisions of Section 38.2-4918 through 38.2-4920 of the Code of Virginia of 1950, as amended. The filing of this disclosure statement with the State Corporation Commission of Virginia does not constitute approval, recommendation or endorsement of the community by the State Corporation Commission.

P I N N A C L E
L I V I N G

PINNACLE ADVANTAGE
Community Based Continuing Care Program

CEDARFIELD
DISCLOSURE STATEMENT

September 2022

MISSION STATEMENT

The mission of
Pinnacle Living is
Enriching Life's Journey

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Exhibits

- Exhibit A – Consolidated Financial Report – May 31, 2022
- Exhibit B – Pinnacle Living ProForma Statement of Activities, Balance Sheet and Statement of Cashflows Years Ending May 31, 2023 - 2027
- Exhibit C – Pinnacle Advantage ProForma Statement of Activities, Balance Sheet and Statement of Cashflows Years Ending May 31, 2023 - 2027

INTRODUCTION

Pinnacle Living has been providing continuing care services in the Commonwealth of Virginia since 1945. Throughout its history Pinnacle Living continues to change and update programs and services to meet the needs and expectations of those we serve. The Pinnacle Advantage community based continuing care program is another step in that evolution as it enhances our ability to make services available to more people in the local community.

COMMUNITY BASED CONTINUING CARE PROVIDER

The community based continuing care provider is Pinnacle Living, a dba for Virginia United Methodist Homes, Inc. Pinnacle Living is a Virginia not-for-profit, non-stock corporation with its business address at *5101 Cox Road, Suite 225, Glen Allen, Virginia 23060*, hereinafter (“Pinnacle Living”, “Us”, or “We”).

Since 1996, Pinnacle Living has owned and operated a continuing care retirement community in Henrico County, VA, known as “Cedarfield”. Cedarfield’s address is 2300 Cedarfield Parkway, Richmond, Virginia 23233-1938. Cedarfield is the continuing care retirement community where the Pinnacle Advantage program, which is the subject of this disclosure statement, will be offered.

A complete listing of the communities owned and operated by Pinnacle Living are:

Hermitage Roanoke
*1009 Old Country Club Road
Roanoke, Virginia 24017-0339*

Hermitage Richmond
*1600 Westwood Avenue
Richmond, Virginia 23227-4682*

Cedarfield
*2300 Cedarfield Parkway
Richmond, Virginia 23233-1938*

Pinnacle Living presently provides continuing care at the following two of its three communities under existing CCRC standard contracts: Cedarfield and Hermitage Roanoke. Pinnacle Living no longer accepts residents under CCRC standard contracts at any Pinnacle Living community other than Cedarfield.

Pinnacle Living has one (1) CCRC standard contract holder on the Eastern Shore of Virginia who was a resident of Hermitage Eastern Shore, which was sold to MCAP Eastern Shore, LLC (an affiliate of Commonwealth Senior Living) (“Commonwealth”) on December 14, 2018. The one (1) remaining CCRC standard contract holder has entered an agreement with Commonwealth for assisted living services at the former Hermitage Eastern Shore site, 23610 North Street, Onancock, Virginia 23417-2024. If nursing services not available at Commonwealth become necessary, Pinnacle Living will assist the one (1) CCRC standard contract holder with placement at a nursing facility on the Eastern Shore of Virginia, where such former resident will enter into an agreement with that nursing facility; however, Pinnacle Living will ensure that the monthly rate paid by the one (1) CCRC standard contract holder is consistent with the agreement originally made with Pinnacle Living. If necessary, to maintain

this consistency, Pinnacle Living will supplement payments for nursing services for this CCRC standard contract holder.

Pinnacle Living closed the Lydia Roper Home in Norfolk on January 31, 2019.

Pinnacle Living sold Hermitage Northern Virginia on August 1, 2022.

Pinnacle Living is the sole member of Virginia United Methodist Homes of Williamsburg, Inc., d/b/a WindsorMeade Pinnacle Living, (“WindsorMeade”), which owns and operates the following continuing care retirement community:

WindsorMeade
3900 Windsor Hall Drive
Williamsburg, Virginia 23188

LIQUID ASSETS

Except for WindsorMeade, all of Pinnacle Living’s CCRCs are owned and operated by the same corporation and all liquid assets are listed on a single balance sheet. Please see Consolidated Financial Report May 31, 2022, Exhibit A, for the total liquid assets which comprise unrestricted cash and cash equivalents, accounts receivable, accrued income receivable, due from affiliates and unrestricted investments.

INDEPENDENT LIVING OCCUPANCY FEES

The following lists Independent Living average occupancy fees between June 2021 and May 31, 2022 for all of the Continuing Care Retirement Communities owned or operated by Pinnacle Living:

<u>Community Name</u>	<u>Independent Living Occupancy Fees</u>
Cedarfield	92.0%
Hermitage Roanoke	100%
WindsorMeade Williamsburg	95%

OFFICERS, DIRECTORS, TRUSTEES, MANAGING AND GENERAL PARTNERS, AND CERTAIN PERSONS WHO HOLD EQUITY OR BENEFICIAL INTERESTS

The names and business addresses of the officers of Pinnacle Living are:

Christopher P. Henderson, President/CEO
5101 Cox Road, Suite 225
Glen Allen, Virginia 23060

Lisa F. Han, Chairperson
142 W. York Street, Suite 605
Norfolk, Virginia 23510

Jane G. Hornbeck, Vice-Chairperson
5101 Cox Road, Suite 225
Glen Allen, Virginia 23060

Kevin W. Bruny, Secretary
5001 Libbie Mill East Boulevard, Apt. 581
Richmond, Virginia 23230

The names and addresses of the directors of Pinnacle Living are:

Brenda S. Brooks
5101 Cox Road, Suite 225
Glen Allen, Virginia 23060

Kevin W. Bruny
5001 Libbie Mill East Boulevard, Apt. 581
Richmond, Virginia 23230

Shirley M. Cauffman
5101 Cox Road, Suite 225
Glen Allen, Virginia 23060

Hank C. Coleman
9633 Fernleigh Drive
Richmond, Virginia 23235

Lisa F. Han
142 W. York Street, Suite 605
Norfolk, Virginia 23510

Christopher P. Henderson
5101 Cox Road, Suite 225
Glen Allen, Virginia 23060

Jane G. Hornbeck
5101 Cox Road, Suite 225
Glen Allen, Virginia 23060

Steven R. Jones
2457 Bayview Avenue
Virginia Beach, VA 23455

F. Ellen Netting
9534 Oldhouse Drive
Richmond, VA 23238

Bishop Sharma D. Lewis – *Ex Officio*
P.O. Box 5606
Glen Allen, Virginia 23060

Pinnacle Living has no trustees, no managing or general partners. No person has a ten percent (10%) or greater equity or beneficial interest in Pinnacle Living.

Pinnacle Living has no members.

The Directors of Pinnacle Living are elected as follows:

- Nominated by a Nominating Committee of the Board of Directors
- Elected by the Board of Directors

BUSINESS EXPERIENCE OF, ACQUISITION OF GOODS AND SERVICES FROM, AND CRIMINAL, CIVIL AND REGULATORY PROCEEDINGS AGAINST THE PROVIDER; ITS OFFICERS, DIRECTORS, TRUSTEES, MANAGING AND GENERAL PARTNERS; CERTAIN PERSONS WHO HOLD EQUITY OR BENEFICIAL INTERESTS; AND THE MANAGEMENT

A. BUSINESS EXPERIENCE

Pinnacle Living has substantial experience in the operation of retirement communities. Pinnacle Living has owned and operated the community at *1600 Westwood Avenue, Richmond, Virginia* since 1948; the community at *1009 Old Country Club Road, Roanoke, Virginia* since 1964; and the community at *2300 Cedarfield Parkway, Richmond, Virginia* since 1996.

With its incorporation in 1945, Pinnacle Living embarked on a journey of providing homes and services to seniors throughout the Commonwealth. Throughout these 77 years, the communities have changed, the industry has changed, the expectations of those we serve have changed, but Pinnacle Living's commitment to those it serves and the enrichment of their lives has remained constant.

The experience in the operation or management of similar communities by the Directors and Officers of Pinnacle Living is as follows:

<u>Director</u>	<u>Member of Board Since</u>
Brenda S. Brooks	2014
Kevin W. Bruny	2017
Shirley M. Cauffman	2016
Hank C. Coleman	2019
Lisa F. Han	2015
Christopher P. Henderson	2005
Jane G. Hornbeck	2016
F. Ellen Netting	2017
Steven R. Jones	2017

<u>Officer</u>	<u>Experience</u>
Christopher P. Henderson	President/CEO since 2005 Industry Experience since 1992
Lisa F. Han	Chairperson 2018 Vice Chairperson 2017 Member since 2015

Jane G. Hornbeck

Vice Chairperson 2018
Member since 2016

Kevin W. Bruny

Secretary since 2020
Member since 2017

B. ACQUISITION OF GOODS AND SERVICES

Neither Pinnacle Living nor any of its officers or directors has any interest, indirectly or directly, in any professional services firm, association, foundation, trust, partnership, or other legal entity, in which such person has, or which has in such person, a 10% or greater interest and which it is presently intended will or may provide goods, leases or services to Pinnacle Living of a value of \$500.00 or more within any year.

C. CRIMINAL, CIVIL AND REGULATORY PROCEEDINGS

Neither Pinnacle Living nor any of its officers or directors:

- (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 judgement, if the crime or civil action involved fraud, embezzlement, fraudulent conversion, or 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 relating to business activity or health care, including, without limitation, actions affecting a license to operate a home care company, foster care facility, nursing home, retirement home, home for the aged or facility registered under Title 38.2, Chapter 49 of Code of Virginia 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.

AFFILIATIONS WITH RELIGIOUS, CHARITABLE OR OTHER NOT-FOR-PROFIT ORGANIZATIONS; NOT-FOR-PROFIT TAX STATUS OF PROVIDER

A. AFFILIATIONS

Pinnacle Living is recognized as an independent, not-for-profit, public charity as well as a non-private foundation under §501(c)(3) and §509(a) of the Internal Revenue Code. Pinnacle Living is not subject to the control of the Virginia Annual Conference of The United Methodist Church. Neither the Virginia Annual Conference of The United Methodist Church, the United Methodist Association of Health and Welfare Ministries, the Department of Health and Welfare Ministries of the Board of Global Ministries of The United Methodist Church, nor The United Methodist Church is, nor will be, responsible for the financial or contractual obligations of Pinnacle Living. Likewise, Pinnacle Living is not, and will not be, responsible for the financial or contractual obligations of the Virginia Annual Conference of The United Methodist Church, the United Methodist Association of Health and Welfare Ministries, the Department of Health and Welfare Ministries of the Board of Global

Ministries of The United Methodist Church or The United Methodist Church. The foregoing organizations are related to Pinnacle Living by faith, heritage, history, morals and guiding principles.

Pinnacle Living is the sole member of Virginia United Methodist Homes of Williamsburg, Inc., d/b/a WindsorMeade Pinnacle Living, a Virginia not-for-profit, non-stock corporation which is also recognized as a public charity and non-private foundation under §501(c)(3) and §509(a) of the Internal Revenue Code (“WindsorMeade” or “WindsorMeade Pinnacle Living”). WindsorMeade owns and operates a continuing care retirement community in Williamsburg, Virginia under the names “WindsorMeade Williamsburg” and/or “WindsorMeade”.

WindsorMeade is fully accredited by the Commission on Accreditation of Rehabilitation Facilities/Continuing Care Accreditation Commission (CARF/CCAC). Founded in 1966, CARF/CCAC is an independent, not-for-profit accreditor of health and human service providers.

Pinnacle Living is the sole member of the Hermitage Capital & Reserve Corp. (HCRC), a Virginia not-for-profit, non-stock corporation exempt from taxation under §501(c)(3) of the Internal Revenue Code and a “supporting organization” within the meaning §509(a) of the Internal Revenue Code. HCRC was formed exclusively to support Pinnacle Living, its affiliate WindsorMeade Pinnacle Living and any future affiliates of Pinnacle Living or WindsorMeade Pinnacle Living.

Pinnacle Living is a member of Leading Age Virginia, an affiliate of Leading Age, a national organization which provides support and education primarily to not-for-profit entities serving seniors.

Cedarfield, Hermitage Richmond, and Hermitage Roanoke are fully accredited by the Commission on Accreditation of Rehabilitation Facilities/Continuing Care Accreditation Commission (CARF/CCAC). Founded in 1966, CARF/CCAC is an independent, not-for-profit accreditor of health and human service providers.

B. TAX EXEMPT STATUS OF PROVIDER

Pinnacle Living is a corporation exempt from taxation under Internal Revenue Code §501(c)(3) and is permitted to receive charitable donations which, under ordinary gifting circumstances, are tax deductible to the donor. Under Internal Revenue Code regulations for tax exempt entities, no earnings may be used for the benefit of, nor distributed to, corporate directors, officers or private individuals. All excess funds remain available to be used by Pinnacle Living to further its mission to provide facilities, services and programs to enhance the quality of life for older persons.

SERVICES PROVIDED BY PINNACLE LIVING UNDER COMMUNITY BASED CONTINUING CARE CONTRACTS

A Person who enters into a Pinnacle Advantage community based continuing care agreement with Us is referred to as a “Member”. A Person who is living on Our Cedarfield campus pursuant to a standard agreement for continuing care services is referred to as a “Permanent Resident”.

A. SERVICES PROVIDED UNDER COMMUNITY BASED CONTINUING CARE CONTRACTS TO PINNACLE ADVANTAGE MEMBERS AT CEDARFIELD

Pinnacle Advantage Members while residing off-campus have access to the social, wellness, recreational, dining and cultural services, programs and amenities that are available to Permanent

Residents at Cedarfield. Pinnacle Advantage Members avail themselves to these services, programs and amenities on the Cedarfield campus. Pinnacle Advantage Members receive a discounted rate for residential assisted living, memory support and nursing services (“Health Services”) and have priority access to these Health Services on campus after Permanent Residents and before non-residents. Although Permanent Residents have priority access on campus, Cedarfield endeavors to maintain sufficient accommodations in Health Services to meet the reasonably anticipated needs of Cedarfield’s Permanent Residents and Pinnacle Advantage Members. Pinnacle Advantage Members are charged an entrance fee and either (i) a monthly fee while living off campus or (ii) a discounted per diem rate fee when a Member requires residential Health Services not delivered at their home. All services, programs and amenities are subject to the terms and limitations of the Pinnacle Advantage Membership Agreement. Except where noted, the social, educational, wellness, recreational and cultural programs and services listed on Schedule A(1) of the Pinnacle Advantage Membership Agreement are without additional charge. The social recreational, cultural and other services listed on Schedule A(2) of the Pinnacle Advantage Membership Agreement are at an additional cost. Clinical Services listed on Schedule A(3) are at an additional cost and are paid to the third-party provider. Members may dine at all dining venues at Cedarfield; the cost of dining is not included in the fees and is charged at the Permanent Resident rate. Please see the Pinnacle Advantage Membership Agreement set forth below for more details and for information.

B. SERVICES OFFERED THROUGH CONTRACTUAL ARRANGEMENTS

Members may access rehabilitation services such as physical, occupational, speech, language and other therapy services on Cedarfield’s campus. Members may also use Our on-site pharmacy, dental and podiatry services on Cedarfield’s campus. These services are provided by third parties who operate independent of Pinnacle Living and with whom the Member will set up all the particulars of their relationship with these providers, including payment for such services. Please see the Pinnacle Advantage Membership Agreement set forth below for more details.

Although subject to change, the current providers of the services offered on Cedarfield’s campus by third parties are as follows:

HealthPRO Heritage
 Marla Lockhart, DPT
 536 Old Howell Road
 Greenville, SC 29615

Dr. Gregory D Cook M.D
 2300 Cedarfield Pkwy
 Richmond, VA 23233

Remedi SeniorCare – Pharmacy Solutions
 10448 Lakeridge Parkway
 Ashland, VA 23005

Neshan Michael Vranian, M.D.
 636 Walsing Drive
 Richmond, VA 23229

Associated Podiatrists
 Neeraj Narand, D.P.M.
 13510 Midlothian Turnpike
 Midlothian, VA 23113

Dr. Frank Shelp
 Psychiatrist
 13267 S. Anna Lane
 Montpelier, VA 23192

Richmond Hearing Doctors
 Debra Ogilvie, Au.D
 13925 Coalfield Commons Place, Suite 101
 Midlothian, VA 23114

Amy Scheer, M.D.
 Scheer Healthcare LLC
 4515 W Hundred Rd
 Chester, VA 23831

Family Dental Practice
Julie Frier Palmore, D.D.S.
900 N Hamilton Street, Suite C
Richmond, VA 23233

Optiques
2821 N. Parham Road, Ste. 106
Richmond, VA 23294

On-Site Dermatology
4700 Exchange Court, Ste. 185
Boca Raton, FL 33431

FEES REQUIRED OF MEMBERS

Members pay an Entrance Fee and a Monthly Fee while residing off campus. When a Member avails himself or herself to Cedarfield's Health Services, the Member will receive a twenty percent (20%) discount off the base per diem rate for the particular level of Health Services.

A. MEMBER ENTRANCE FEE

A single Member pays a one-time First Person Entrance Fee. Joint Members pay a one-time first person and second person Membership Entrance Fees. In order to be eligible for the Second Person Entrance Fee you must be either the spouse of the person paying the First Person Entrance Fee or residing in the same home as the person paying the First Person Entrance Fee. Members pay a one-time Entrance Fee at the time of admission. Entrance Fees are not escrowed and may be used in the payment of operating costs. See the Pinnacle Advantage Membership Agreement for more information concerning Entrance Fees.

Entrance Fees are as follows:

First Person Membership Entrance Fee:	\$ 40,000
Second Person Membership Entrance Fee:	\$ 10,000

B. MEMBER MONTHLY FEE

Monthly Fees are intended to provide for the regularly offered services and conveniences as well as all other financial obligations and objectives of Pinnacle Living including, for example, debt service, costs of operations, maintaining the viability and marketability of the program, maintaining and improving the quality of services provided, enhancing and expanding the communities and programs when expansion is warranted, and maintaining reserves to assist members, where appropriate, who may become unable to meet their financial obligations. Monthly Fees may be adjusted by Pinnacle Living, in its sole discretion, from time to time after thirty days advance written notice. There are no limitations on the amount, or frequency, of increases in the Monthly Fees.

When a Member does not reside on Our Campus, the Member will pay a Monthly Fee. Monthly Fees are payable in advance and will be prorated for periods of less than one month, where appropriate.

Monthly Fees are as follows:

First Person Monthly Fee: \$ 500

Second Person Monthly Fee: \$ 100

C. REFUNDS

Members have the right to rescind the Membership Agreement and receive a full refund during the initial seven-day period after executing the Agreement. The amount, if any, of a refund due after the initial seven-day period is determined by the length of time in Membership. Generally, four percent (4%) of the entrance fee is charged as an administrative fee initially and two percent (2%) per month is deducted until the refund becomes zero after forty-eight (48) months.

D. HEALTH SERVICES PER DIEM FEE

When you are receiving Health Services as a Member in one of Our Assisted Living, Memory Support or Nursing households (“Health Services”) or otherwise pursuant to the Membership Agreement, Your Monthly Fee will be suspended and you will pay to Us the per diem Health Services Fee set forth below. The Health Service Fee includes a twenty per cent (20%) discount off the base per diem rate. The Health Service Fee for Assisted Living depends on the particular level of service you are receiving in Assisted Living. Health Service Fees may be adjusted by Pinnacle Living, in its sole discretion, from time to time after thirty days advance written notice. There are no limitations on the amount, or frequency, of increases in the Health Service Fees.

**HEALTH SERVICES
FEE SCHEDULE 2022-2023**

Level of Services	Cedarfield Fee	Pinnacle Advantage Base Fee At (80%)
Assisted Living		
Base Monthly Fee	\$7,815 - \$8,765	\$6,252 - \$7,012
Assisted Living Additional Monthly Services Tier Fees		
Services Tier 1	\$380	\$304
Services Tier 2	\$775	\$620
Services Tier 3	\$1,185	\$948
Services Tier 4	\$1,615	\$1,292
Services Tier 5	\$2,055	\$1,644
Services Tier 6	\$2,510	\$2,008
Assisted Living Additional Monthly Medication Management Fees		
Tier 1: 1-2 Medications	\$330	\$264
Tier 2: 3-6 Medications	\$445	\$356
Tier 3: More than 6 Medications	\$555	\$444
	Monthly Fee	Monthly Fee
Memory Support Center	\$7,820	\$6,256
Nursing Care (Private)	\$429	\$343

Fees are subject to change on thirty (30) days advance written notice.

Over the last five years, the frequency and average dollar amount of increase in monthly per diem fees for Cedarfield Health Services has been:

**Average Dollar Amount of Increase (Decrease)
when Cedarfield per diem Base Rate
Aggregated on a per month basis.**

Frequency	Assisted Living	Memory Support	Health Care
18-19	273	183	298
19-20	213	365	304
20-21	76	252	395
21-22	327	280	456
22-23	550	505	852

Note: Historically, these changes have occurred in June each year.

Average dollar amount of increase in monthly per diem fees for Pinnacle Advantage Health Services is:

Frequency	Membership Monthly Fee	Assisted Living	Memory Support	Health Care
20-21	0	61	202	316
21-22	0	262	224	365
22-23	0	440	404	682

RESERVE FUNDING

Pinnacle Living does not provide secured or “earmarked” reserve funding or security (including escrow accounts, trust or reserve funds) to guaranty that it will fully perform its obligations under its continuing care contracts. However, Pinnacle Living operates under a business and financial model that it believes to be very conservative and tested through more than 77 years of experience. In addition, Pinnacle Living maintains significant investment reserves. Pinnacle Living follows generally accepted accounting principles for not-for-profit entities. Please refer to Note 1 of the Fiscal 2022 Audited Combined Financial Report for information concerning the accounting treatment by Pinnacle Living of Entrance Fees and earned income from lifecare residents. Annually, Pinnacle Living revalues the liability to annuitants by utilizing actuarial tables. For funds on hand, Pinnacle Living’s Board of Directors establishes an Investment Policy and selects a financial institution to make investment decisions based upon the guidelines in the approved investment policy. Sandy Wiggins, of the Actuarial Consulting Group, serves as the investment consultant. Mr. Wiggins assists the Board as they develop appropriate investment policies. Mr. Wiggins has over 31 years of experience in capital markets.

CERTIFIED FINANCIAL STATEMENTS

Independent auditors annually audit consolidated financial statements for Pinnacle Living and WindsorMeade (Pinnacle Living is the sole member of WindsorMeade). Attached as Exhibit A are certified consolidated financial

statements of Pinnacle Living and WindsorMeade including balance sheets, statements of activities and statements of cash flows for the two most recent fiscal years. These consolidated financial statements conform to generally accepted accounting principles, and have been certified by an independent certified public accountant, whose opinion is also included.

PRO FORMA STATEMENT OF INCOME AND EXPENSES

Exhibit B of this Disclosure is the pro forma statement of income and expenses for Pinnacle Living for fiscal years ending May 31, 2023 - 2027. Exhibit C of this Disclosure is the pro forma statement of income and expenses projected for the Pinnacle Advantage program for fiscal years ending May 31, 2023 - May 31, 2027. The pro forma statements of income and expenses are developed as part of Pinnacle Living's annual budgeting process. Expected income from monthly fees is estimated based on expected occupancy and membership levels each year.

Expenses represent staffing and anticipated changes at present cost levels with a scheduled cost of living increase as well as expected utilization of the health services by members.

In addition, the major assumptions upon which this pro forma statement is based include maintaining, at a minimum, current occupancy in existing facilities and the absence of material, unanticipated change in the cost of services, energy, and other basic requirements beyond an allowance for inflation. Interest expense for Pinnacle Living follows the Series 2012, 2017 and 2019A Senior Bonds principal and interest schedule as outlined in the offering statement. Investment income assumes interest earned at 2.3% or less.

EXPLANATION OF MATERIAL DIFFERENCES BETWEEN PRIOR FISCAL YEAR'S PRO FORMA INCOME STATEMENT AND THE ACTUAL RESULTS OF OPERATIONS DURING THE PRIOR FISCAL YEAR

Fiscal year ended May 31, 2022 ("FY2022") – The Pinnacle Advantage program began in January 2019. As of May 31, 2022, the program had twenty-four (27) members. For FY2022, Pinnacle Advantage produced total operating revenue of \$164,364 and total operating expenses of \$152,258. Non-operating charges accounts for \$540 in banking fees. The overall result is a surplus to change in net assets of \$11,566. This amount is lower than the FY2022 Proforma due to lower overall membership than was forecasted.

CRITERIA FOR ENROLLMENT IN PINNACLE ADVANTAGE PROGRAM

A. MEMBERSHIP

1. A minimum age of sixty-two (62) is required at the time of application.
2. At the time of acceptance to the Pinnacle Advantage program, the applicant must meet Pinnacle Living's standards for living independently. These standards include:
 - a. exhibiting the ability to live at home without assistance;
 - b. exhibiting the ability to perform activities of daily living, handle personal affairs, maintain reasonable mental, physical and emotional behavior;
 - c. demonstrating the likelihood of maintaining independence for an appropriate amount of time given the financial design and purposes of the Pinnacle Advantage program;

- d. securing the approval of the applicant's physician and Cedarfield's Interdisciplinary Care Team.
3. The applicant must demonstrate the ability to meet the cost of care.
4. Pinnacle Living may refuse an application on the basis that approval of the application may interfere with the providing of the proper level of services to Permanent Residents.

B. HEALTH SERVICES

1. At the time of admission to any Health Services, the Member must provide information in order that Cedarfield may determine the level of care the Member requires.
2. The Member must secure the approval of the Member's physician and Cedarfield's Interdisciplinary Care Team.

ACCESS TO COMMUNITY BASED SERVICES BY NON-MEMBERS

Pinnacle Living does not offer its services to persons who do not have an agreement with Pinnacle Living. Invited guests may register and visit, subject to Cedarfield's policies and procedures.

PROCEDURE BY WHICH A MEMBER MAY FILE A COMPLAINT OR DISCLOSE CONCERNS

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

1. The complaint or concern should first be submitted in writing to Cedarfield Business Office Director who will provide a written response within fifteen (15) days.
2. In the event the Member's complaint or concern is not resolved by the Cedarfield Business Office Director within such fifteen (15) day period, the Member may submit the complaint or concern in writing to the Executive Director who will provide a written response within fifteen (15) days.
3. In the event the Member's complaint or concern is not resolved by the Executive Director within such fifteen (15) day period, the Member may submit the complaint or concern to the appropriate ombudsman.

COMMUNITY BASED CONTINUING CARE CONTRACT - PINNACLE ADVANTAGE MEMBERSHIP AGREEMENT

Our Pinnacle Advantage Membership Agreement is included with this Disclosure Statement and is incorporated herein. Please review the Pinnacle Advantage Membership Agreement for more particulars of the Program as the terms of the Membership Agreement will ultimately cover the terms of Our relationship.

Cedarfield

PINNACLE LIVING

**PINNACLE ADVANTAGE
MEMBERSHIP AGREEMENT**

September 2022

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MEMBERSHIP AGREEMENT**

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PINNACLE LIVING

**PINNACLE ADVANTAGE
MEMBERSHIP AGREEMENT**

This is an Agreement between _____ (either “Member(s)”, “You” or “Your”) whose current address is _____ and PINNACLE LIVING (either “Our”, “We” or “Us”); all services under this Agreement will be provided at Our Cedarfield Community (“Cedarfield” or “Community”). (If two people sign this Agreement as Members, this is a Joint Membership Agreement, and the term “You” shall refer to each person individually and to both people together, as the context may dictate).

I. INTRODUCTION

We are a Virginia, non-stock, not-for-profit corporation operating a continuing care retirement community on a 90 acre campus in Henrico County off Three Chopt Road at 2300 Cedarfield Parkway known as Cedarfield (“Campus”). We are exempt from taxation under Internal Revenue Code § 501(c)(3). The Community has various health and wellness amenities, services, programs and activities designed for retired persons, including several dining venues. The Community offers residential health services including assisted living services and memory support services licensed by the Virginia Department of Social Services and nursing services licensed by the Virginia Department of Health (“Health Services”). Independent living cottages and apartments are available under a continuing care retirement community residency agreement. We seek to broaden the services that We provide to retired persons by this Community Based Continuing Care program of membership called “Pinnacle Advantage” whereby You are eligible to receive certain services and enjoy amenities at Cedarfield as outlined in this Membership Agreement while You reside in Your home away from Our Campus (“Program”). Further, the Program provides a path for transitioning Your residence to Our Campus especially in the case when residential health services are desired by You.

Pinnacle Advantage gives You access to certain amenities and services on Our Campus and provides You with discounted rates and priority admittance to Our health services over non-residents of Cedarfield.

We consider all applications for membership without regard to race, religion, national origin or ancestry. A minimum age of 62 is required at the time of application. Persons accepted into the Program are “Pinnacle Advantage Members” or “Members.”

We are pleased that We are able to make this Agreement covering the terms of Your Membership in the Pinnacle Advantage Program.

II.MEMBERSHIP

A. ACCEPTANCE FOR MEMBERSHIP

We have an application process whereby We conduct an admission and financial assessment review to determine Your eligibility for the Program. You acknowledge that in entering into this Agreement with You, We are relying on all the representations that You make in Your Application for Membership, including but not limited to Your health and financial representations. In addition to the other requirements for membership, You agree that You will provide Us an updated financial disclosure prior to any on Campus residency offered to You under this Agreement.

B. DOCUMENTS

You acknowledge receipt of a copy of the *Application for Membership* and the *Disclosure Statement*. The Application for Membership (including the financial, health and related documents submitted by You as part of the application process) and the Disclosure Statement are, by this reference, made part of this Agreement.

C. MEMBERSHIP POLICIES

You agree to comply with the terms of this Agreement and Our policies and procedures, as they may be modified by Us from time to time. You also agree to provide updated health and financial information and documentation to Us from time to time upon Our request and to inform Us immediately of any material change in Your physical, financial or mental condition.

III.SERVICES

A. SERVICES FOR MEMBER

We agree to provide or make available to You the Services set forth in this Section III A, subject to the conditions set forth in this Agreement.

1) *Pinnacle Advantage Services at Cedarfield:*

Social, Educational, Recreational and Cultural Programs On and Off Campus - Members enjoy all social, educational, recreational, and cultural programs and amenities on Campus. See **Schedule A(1)** for Our current offering. Our programs and other offerings change from time to time. There

are no fees for use of such on-campus services and amenities that are higher than the fees charged to persons who have a continuing care retirement community residency agreement with Cedarfield (“Permanent Residents”). When there are no charges or additional fees for Permanent Residents those amenities and services are free of additional charge for You. If a Permanent Resident has an additional charge You will pay the same amount (see **Schedule A(2)**).

Wellness Services - Your Membership Fee includes an annual wellness consultation with Our registered nurse and social worker. You may access this service by making an appointment with Cedarfield.

Clinic Services - For Your convenience, We have arranged for dental, therapy, podiatry and pharmacy services (“Clinic Services”) to be available on Campus. Clinic Services are not delivered by Us and You are responsible for setting up all particulars of Your relationship with these providers including payment for such services. (See, **Schedule A(3)**). We do not require You to use, nor do We endorse, any provider of health care or clinic related services, including the dental, therapy, podiatry and pharmacy services available on Campus. We have arranged for these health related services on Our Campus for the convenience of Our Members and Residents; these providers operate independently of Us and exercise their own professional judgment in the provision of health care services to You, Our other Members and Our Residents.

Dining Services - Access to all Cedarfield dining venues (see **Schedule B**) at Permanent Resident prices.

Dietician Consultation -- Our staff Dietician is available to consult with You at your request. Dietician consultations are conducted on an appointment basis.

Campus Amenities - While on Campus, You will be entitled to use the amenities (such as tennis courts, pools, exercise equipment, etc.) that Cedarfield residents enjoy. Access to Campus amenities is charged the same as it is for Permanent Residents, including no charges when there are no charges to Permanent Residents.

Availability and priority of admittance - Programs and activities are subject to availability and our offerings may change from time to time. Although We anticipate that access will not often be limited, there are a few activities from time to time that result in high demand, in those cases Permanent Residents will enjoy priority access followed by Members.

2) *Cedarfield Health Services* are available to You on Campus upon qualification as provided below. “Health Services” consist of on Campus Assisted Living, Memory Support and Residential Nursing Services. As a Pinnacle Advantage Member, You will receive priority access over non-residents and a twenty per cent (20%) discount off the then current per diem base rate (see Schedule C for current rates).

Health Services -- Assisted Living Accommodations - Assisted Living is designed for persons who are unable to function independently at home but do not need continuous medical supervision. Assisted Living Residents can receive a range of services, depending on need, such as assistance with activities of daily living, meals, housekeeping, increased monitoring of personal status, monitoring of medications, some linen service and assistance with personal laundry. Services included in the per diem rate are listed on **Schedule D(1)** and vary by level of service requested.

You agree to pay for any un-included charges such as those listed on **Schedule D(2)**. If You request assisted living services and Our Interdisciplinary Care Team (“IDC Team”) determines that You require such services You will have priority access over non-residents of Cedarfield to our Assisted Living household. In Assisted Living, You will receive a twenty percent (20%) discount off the then current per diem base rate.

Health Services -- Memory Support Accommodations - Memory Support provides services for persons with cognitive impairment requiring increased security and monitoring. The services include assistance in dressing, self-care and other activities of daily living, assistance in attending meals, increased assistance in housekeeping, increased monitoring of personal status, monitoring of medications, more frequent linen service and assistance with personal laundry. There is an emphasis in Memory Support on recreational therapy and providing resources such as support groups. Services included in the per diem rate are listed on **Schedule E(1)**. You agree to pay for any un-included charges such as those listed on **Schedule E(2)**. If You request Memory Support services and Our IDC Team determines that You require such services, You will have priority access over non-residents of Cedarfield to Our Memory Support household. In Memory Support, You will receive a twenty percent (20%) discount off the then current per diem base rate.

Health Services -- Residential Nursing Services Accommodations. Our Nursing household provides nursing services up to total nursing bed care in accordance with the Rules and Regulations for Licensure of Nursing Homes promulgated by the Virginia Department of Health. Nursing services generally include all normal and routine services associated with a licensed nursing facility. Services included in the per diem rate are listed on **Schedule F(1)**. You agree to pay for any un-included charges such as those listed on **Schedule F(2)**. If You request nursing services and Our IDC Team determines that You require such services, You will have priority access over non-residents of Cedarfield to Our nursing services household. While residing in Nursing Services, You will receive a twenty percent (20%) discount off the then current per diem base rate for the assigned residence.

Health Services expansion to Medicare services. Cedarfield does not currently participate in either Medicare or Medicaid programs but anticipates participation in Medicare beginning in the calendar year 2023. If You may have Your Medicare stay at Cedarfield, subject to availability. In such a case, a separate agreement will need to be entered by You with Us for such a stay.

3) *Access to Health Services*. You will have priority access over non-residents of Cedarfield for acceptance to Health Services. Permanent Residents have first priority to all Health Services. Cedarfield endeavors to maintain sufficient accommodations in Health Services to meet the reasonably anticipated needs of Cedarfield Permanent Residents and Pinnacle Advantage Members for assisted living, memory support and residential nursing services; however, Permanent Residents have priority access over You. Further, We may reserve space to ensure We can meet the anticipated needs of Our Permanent Residents. If Your request is approved by Our IDC Team to move into one of Our Health Service houses and no accommodation is available for You and so long as You are current on all fees and charges due under this Agreement, including payments for Health Services, Cedarfield will arrange for Your admission to another facility of Your choosing within a forty (40) mile radius of Cedarfield that can supply such services until an accommodation in the appropriate Health Service -- Assisted Living, Memory Support or Residential Nursing Services becomes available. If We do not have an accommodation for You in Health Services, and so long as

You are current on all charges under this Agreement, We will pay for Your accommodations at the facility You choose until We can offer You a residence at the appropriate level of care at Cedarfield. If You elect not to return from another facility, either party may terminate this Agreement subject to the usual provisions regarding termination and refund, if any, under this Agreement.

4) Transfer within Health Services. If You are receiving Health Services in one of Our Health Services Households under this Agreement and Our IDC Team, after consultation with You, determines that You need to move to another Health Services Household due to a change in Your condition or other reason, then You will have priority access over non-residents for a residence in that household. Permanent Residents have first priority to all Households. If no accommodation is available for You in the Household identified by Our IDC Team as appropriate for You, Cedarfield will arrange for Your admission to another facility of Your choosing that can supply such services until an accommodation in the appropriate Health Service --Assisted Living, Memory Support or Residential Nursing Services becomes available. If We do not have an accommodation for You in Health Services, and so long as You are current on all fees and charges due under this Agreement, including the payment of the Health Services Fees, We will pay for Your accommodations at the facility You choose (within a forty (40) mile radius of Cedarfield) until We can offer You a residence at the appropriate level of care at Cedarfield. If You elect not to return from another facility, either party may terminate this Agreement subject to the usual provisions regarding termination and refund, if any, under this Agreement.

5) Reassignment by IDC Team. Notwithstanding any other provision of this Agreement, You agree that We may reassign You between and within different Health Services households and service levels at such time as We, in consultation with Our IDC Team, You, Your personal representative and (if appropriate) Your physician, determine that such a transfer or reassignment is necessary for Your well-being. Our IDC Team typically includes a licensed nurse, dietitian, social worker and activities coordinator, and may include other team members.

B. CEDARFIELD INDEPENDENT LIVING

You must make separate application for an on Campus apartment or cottage under Our normal continuing care retirement community acceptance criteria. If approved for a cottage or an apartment, You will enter into a agreement with Us, the Cedarfield Residency Agreement, which will supersede this Agreement. If You enter a Residency Agreement with Us, You may apply the unamortized portion of Your Membership Entrance Fee to the Entrance Fee. (The unamortized portion of Your Membership Entrance Fee is the portion that You would be entitled to as a refund if You terminated this Agreement at such time.) The Membership Entrance Fee that You are permitted to apply is net of the amount of Your Membership Entrance Fee already applied towards charges on Campus, if any, and the amortized portion of the Membership Entrance Fee.

C. CHANGE IN SCOPE OF SERVICES

A notice of changes in the scope of services will be provided to You at least thirty (30) days before a change in the scope of services takes effect.

IV.FEES AND COSTS

A. MEMBERSHIP ENTRANCE FEE

You agree to pay to Us the Membership Entrance Fee set forth below by the effective date of this Agreement. The Membership Entrance Fee is a one-time fee paid at the time of the making of this Agreement. The Membership Entrance Fee received by Us may be used or applied to any corporate purpose of Cedarfield, whether or not directly related to this Agreement. An Administrative Fee in an amount equal to four percent (4%) of the Membership Entrance Fee is non-refundable after the Adjustment Period set forth in Article V A(1) and will be retained by Us. The amount of Your Membership Entrance Fee will become non-refundable by an amount equal to two-percent (2%) of Your Membership Entrance Fee for each month or partial month of Membership, until the remaining refundable balance is zero. [See Article V B].

Your Membership Entrance Fee is as follows:

First Person Membership Entrance Fee:	\$ _____
Second Person Membership Entrance Fee:	\$ _____
 Total Membership Entrance Fee:	 \$ _____

B. MONTHLY FEE OR HEALTH SERVICES FEE

You agree to pay to us a Monthly Fee or the Health Services Fee, depending on whether You are residing in Your off-campus home or in Our Health Services.

1) *Monthly Fee*. When you do not reside on Our Campus, You will pay to Us a Monthly Fee as set forth herein. Monthly Fees are payable in advance and will be prorated for periods of less than one month, where appropriate. The first Monthly Fee is due on the effective date of this Agreement and thereafter by the tenth of each month. Your Monthly Fees are as follows:

First Person Monthly Fee:	\$ _____
Second Person Monthly Fee:	\$ _____
 Total Monthly Fee:	 \$ _____

2) *Health Services Per Diem Fee*. During a stay in Health Services either on Campus or at another facility pursuant to Our obligation in Article III A (3), You will pay the discounted per diem Health Services Fee as set forth in Article III A (2) (see also, **Schedule C**). Assisted Living Health Service Fee depends upon the particular level of service You are receiving in Our assisted living household. Your Monthly Fee will be suspended on a prorated basis for any days You are in Health Services; however, the Monthly Fee will not be suspended for any Medicare Covered stays where your permanent residence is off-Campus. In the event of a Second Member within one household and one member has a stay in Health Services, the Second Person Monthly Fee will be suspended. In the event both Members have non-Medicare simultaneous stays in Health Services, both Monthly Fees will be suspended during this time.

3) *Limitations of Services.* Fees do not cover the cost of medical care, such as hospitalization, professional medical services by an attending physician, companions, private duty nursing or certain specialized technical care, drugs, medical supplies, medical equipment, emergency transportation or transportation incident to such medical care.

C. PAYMENT AND EXCESS COSTS

You will be billed monthly for meals, services and supplies provided by Us that You elect and are not included in the services. Payment for the Monthly Fee and any additional services and supplies or co-pays shall be made by the due date or they will be subject to a late charge of 1.5 percent per month for each month in arrears. In the event You fail to pay Us on any amount due hereunder and the account is referred to an attorney for collection, You agree to pay all costs of collection for all charges under this Agreement, including, but not limited to, reasonable attorneys' fees. All benefits received by You from any source as reimbursement for any service provided by Us under this Agreement shall be paid or assigned by You to Us as reimbursement for such services. Except as specifically described in this Agreement, You shall be solely responsible for services not covered by Medicare Parts A and B or any supplement coverage You may have for costs exceeding Your supplement insurance coverage.

D. ADJUSTMENT OF MONTHLY FEE AND HEALTH SERVICES FEE

We are committed to providing You with the quality services called for by this Agreement consistent with sound financial management. You understand and agree that the Monthly Fee and the Health Services Fee may be increased by Us from time to time, in Our sole discretion, and that payment of the Monthly Fee or Health Services Fee, as adjusted, is an obligation under this Agreement. A written notice will be given to You at least 30 days prior to the effective date of any increase in the Monthly Fee or Health Services Fee.

E. NATURE OF PAYMENTS

You and We acknowledge that the payments made by You to Us under this Agreement are intended solely as compensation to Us for providing You with services and that such payments are not intended to be a loan. However, We have not provided, nor shall We provide any advice to You in this regard, and We urge You to seek advice and counsel from Your own legal and tax advisors regarding these matters and any income or other tax implications relating to such payments or otherwise relating to this Agreement.

V. ENDING THE AGREEMENT

A. TERMINATION

1) *Termination by Member.*

Right of Rescission and Seven-Day Rescission Period - You may terminate this Agreement for any reason, without penalty or forfeiture, within seven days after the effective date of this Agreement ("Adjustment Period").

Voluntary Termination Upon Notice - You may terminate this Agreement for any reason at any time by giving written notice to Cedarfield at least 30 days in advance. The written notice need not cite a specific reason for the termination, but it shall state a date when the termination is to become effective. You agree to pay the Monthly Fee during the 30- day notice period, as well as all amounts owed to Us, and any expenses incurred by Us in connection with termination.

2) *Termination by Cedarfield.*

Termination for Good Cause - We may terminate this Agreement at any time for good cause. Good cause shall include the following:

- a) Proof that the Member is a danger to himself or others;
- b) Nonpayment by the Member of any monthly or other fee or charges due under this Agreement;
- c) Repeated conduct by the Member that interferes with residents' or other participants' quiet enjoyment of a facility or service; Persistent failure to comply with Cedarfield's reasonable written rules and regulations; A material misrepresentation made intentionally or recklessly in the application for membership, or in related materials, regarding information which, if accurately provided, would have resulted in either a failure of the Member to qualify for participation or a material increase in the cost of providing to the Member the care and services provided under the terms and conditions of this Agreement; or
- d) A material breach by the Member of the terms and conditions of this Agreement.

If termination of the Agreement is contemplated for good cause, We will provide 30 days' written notice to You unless continued membership threatens the life, health or safety of others, in which case such notice as is reasonably practicable under the circumstances will be provided to You or Your representative, and the termination of this Agreement may be effective immediately. In the event that the basis for termination is conduct or a condition that is capable of cure, We will provide an opportunity to cure such conduct or condition within a reasonable period.

3) *Termination by Member's Death.*

This Agreement shall automatically terminate upon the death of the Member. When due, refunds will be provided as described in Article V B of this Agreement.

B. REFUNDS

In the event the Agreement is terminated, Your entitlement to a refund, if any, shall be determined in accordance with the provisions set out below.

- 1) *Termination within Adjustment Period* - You have the right to rescind this Agreement and receive a full refund during the initial seven-day period after executing this Agreement.

2) Payment of refunds - When either You or We terminate this Agreement, refunds of Membership Entrance Fee due You, if any, shall be paid within 60 days provided that all outstanding charges have been paid. All refunds specified shall be without interest. If termination is due to the death of the Member, We will provide the refund to the Member's estate unless specific arrangements are agreed to by Us in writing prior to the Member's death.

3) Termination by Member - If You terminate this Agreement by written notice in accordance with Your termination right under Article V A(1) (and You did not elect to apply any portion of the Membership Fee as a credit toward the cost of any Member residency on Campus), You may receive a refund (referred to from time to time herein as "Your Refund") of a portion of the Membership Entrance Fee when this Agreement is terminated as follows: The amount of Your Membership Entrance Fee (i) reduced by an Administrative Fee equal to 4% of the amount of Your Membership Entrance Fee and (ii) further reduced by an amount equal to 2% of Your Membership Entrance Fee for each month or partial month of Membership, until the remaining balance is zero. Any unpaid charges will be deducted from Your Refund. Fees that have been applied at Your request toward fees or the cost of any Member services will not be refunded.

4) Termination by Cedarfield - If We terminate this Agreement by written notice in accordance with Our termination right under Article V A(2) (and You did not elect to apply any portion of the Membership Fee as a credit toward the cost of any Member residency on Campus), You may receive a refund (referred to from time to time herein as "Your Refund") of a portion of the Membership Entrance Fee when this Agreement is terminated as follows: The amount of Your Membership Entrance Fee (i) reduced by an Administrative Fee equal to 4% of the amount of Your Membership Entrance Fee and (ii) further reduced by an amount equal to 2% of Your Membership Entrance Fee for each month or partial month of Membership, until the remaining balance is zero. Any unpaid charges will be deducted from Your Refund. Fees that have been applied at Your request toward fees or the cost of any Member services will not be refunded.

5) Joint Members - If this is a Joint Membership Agreement, this termination may, depending upon the nature of the cause, apply to either non Joint Member or to both and, if the termination applies to only one Joint Member, provided the other Joint Member then satisfies Our then current membership criteria independently, such other Joint Member will have the option of retaining the obligations and rights of this Agreement or terminating this Agreement. The foregoing notwithstanding, termination shall not relieve a Joint Member of his obligations under Article VII A, Joint and Several Liability of Joint Membership.

No interest will accrue to the benefit of Member or the Member's estate on any amounts required to be refunded under this Agreement, and no interest will be paid on termination.

VI.INSURANCE

A. MEMBER'S OBLIGATION TO CARRY MEDICAL INSURANCE

You agree to provide Us with evidence of health insurance coverage under Medicare Parts A & B as well as hospital or medical insurance benefit programs which supplement Medicare. You agree to furnish to us such evidence of coverage as We may from time to time request. Should Your supplemental health insurance or equivalent coverage not fully cover a qualified stay in the Health Services, should it not pay benefits directly to Us or should You fail to purchase supplemental health insurance or equivalent coverage to fully cover a qualified stay in Health Services, You will be financially responsible for paying to us deductibles, co-insurance amounts and any other charges for each qualified stay. If You are not

covered under Medicare, You must provide evidence of coverage under comparable insurance accepted by Us. You are responsible for the payment of premiums for such coverage. You agree to authorize Us to receive reimbursement under this insurance coverage and assign to Cedarfield the right to appeal Medicare coverage determinations.

VII. MISCELLANEOUS

A. JOINT AND SEVERAL LIABILITY OF JOINT MEMBERSHIP

If this is a Joint Membership Agreement, each Joint Member hereby agrees (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 remaining Joint Resident under this Agreement after the death of the first Joint Member to die, and (iii) that such obligations shall become an obligation of his or her estate. You hereby agree to provide Us from time to time, upon Our request, with written evidence satisfactory to Us of Your compliance with Your obligations under this Paragraph. In the event that one Joint Member terminates membership or no longer resides in the Community, each of You, as Joint Members, shall remain jointly liable for the full performance of this Agreement (including but not limited to payment for Health Services fees and expenses of the other Joint Member) even in the event of death, divorce, legal or actual separation. Any contrary provision of this Agreement notwithstanding, should one of You as a Joint Member, die or withdraw without making provisions for the remaining Joint Member sufficient to permit the remaining Joint Member to independently financially qualify as a Member after the Joint member's death or withdrawal, then, in addition to being in breach of this Agreement affecting both Joint Members, You agree that the surviving Joint Member shall have a claim against Your estate and against any person to whom You made a transfer to in violation of the duty to support Your Joint Member under this Agreement. You acknowledge that We would not enter into this Agreement but for the assurances of both Joint Members that each would provide for the remaining Joint Resident, and You acknowledge that one Joint member's failure to do so for the other is a material breach of this Agreement constituting good cause for termination of this Agreement by Us and otherwise excusing Our further performance of this Agreement. This section shall survive the termination of this Agreement.

B. ESTABLISHING JOINT MEMBERSHIP

If You marry a person not a Pinnacle Advantage Member and desire to establish Joint Membership with Your spouse, Your spouse must submit an Application for Membership and such other documentation as We may reasonably require in accordance with Our then current policies and procedures, and both You and Your spouse must submit a then current financial report. If Your spouse does not qualify for Membership in accordance with Our acceptance policies then in effect, Your spouse will not be permitted to establish Membership.

If accepted for Joint Membership, You and Your spouse must then execute a new, Joint Membership Agreement, provided You then pay the additional cost of the then current Joint Membership Entrance Fee.

You and Your spouse will then be treated in all respects as Joint Members and thereafter will pay the Monthly Service Fee for Joint Membership, with the Second Person Monthly Service Fee prorated for the first month, if appropriate.

Only persons who are living in the same domicile may be Joint Members. We do not permit existing members to convert their membership to joint membership unless they marry.

C. FINANCIAL REQUIREMENTS

We, at Our discretion, may require You to furnish updated financial information periodically upon request. You affirm that the representations made in each part of Your Application for Membership, including but not limited to Your health and financial representations, are true and correct and are being relied upon by Us as a basis for entering into this Agreement. You agree that Your assets are to primarily be available to pay Your living expenses, including Your obligations under this Agreement.

D. DECISIONS REGARDING TRANSFER OF MEMBER

All decisions involving a permanent transfer to residence in Our community will be made by Our Interdisciplinary Care Team in consultation with You or Your designated representative. We have no responsibility with respect to any decision regarding Your remaining at Your own home off-campus. Our Interdisciplinary Care Team only becomes involved in such decisions when You request entry to one of Our Health Services households.

E. FINANCIAL OBLIGATIONS AND SUBSIDIES

Your timely payment of all fees and other charges under this Agreement is a condition of Your Membership and failure to pay any such fees and charges will constitute Good Cause for termination of this Agreement. However, We may grant You a subsidy to assist You in the payment of a portion of such fees or charges in the event We determine, in Our sole and absolute discretion, that such subsidy is appropriate. Any such subsidy will be made in accordance with Our policies and procedures then in effect, which may be changed from time to time. In no event will any such subsidy be given to any Member who impairs his or her ability to meet financial obligations, whether by gratuitous transfer (to Your spouse or to any other person or entity) or incurrence of unusual, unnecessary or extraordinary expenditures or obligations, as determined by Us in Our sole and absolute discretion. No subsidy will be granted to a surviving Joint Member when the first Joint Member to die fails to provide for the surviving Joint Member as more fully set forth in Article VII, Section A above. You agree to provide Us with such financial and other information and documentation as We may request, from time to time, in Our sole and absolute discretion, to determine Your eligibility for such subsidy in accordance with the foregoing. In the event any such subsidy is granted to You, You agree as follows:

- 1) You will remain obligated to reimburse Us for the full amount of such subsidy, which will remain Your obligation upon termination of this Agreement and may be satisfied from or offset against any refund or other sums We may owe to You. To the extent such obligation is not satisfied as of the time of Your death, You hereby agree that it will be an obligation of Your estate.

- 2) You agree to accept such level of Services as We deem necessary, in Our sole and absolute discretion, so as not to impair Our ability to meet Our financial obligations and otherwise to operate Cedarfield or the Pinnacle Advantage Program on a sound financial basis, in Our sole and absolute discretion.
- 3) You acknowledge that We are under no obligation to make or to continue any such subsidy, and that We may discontinue any such subsidy at any time in Our sole and absolute discretion.

In consideration of Our acceptance of You for Membership under this Agreement, You hereby agree not to take any action, or to omit to take any action, so as to impair Your ability to meet Your financial obligations under this Agreement, whether by gratuitous transfer to any person or entity or to incur any unusual, unnecessary or extraordinary expenditures or obligations. Any such act or omission by You (or in Your behalf by Your personal representative, agent or other authorized person) shall be deemed a “material breach” of this Agreement as contemplated under Article V, 2(d) hereof.

F. PERSONAL REPRESENTATIVE FOR INCAPACITY

You agree to make arrangements within one month of Your execution of this Agreement whereby Your affairs will be managed by attorneys-in-fact or other agents with legal authority to handle your personal, health, legal and business matters (collectively Your “personal representatives”) if You become incapacitated. Generally, this is accomplished by the execution by You of a durable power of attorney and advanced medical directives. You also agree to provide Us with the name, address and telephone number of each of Your personal representatives, and to inform Us of any change in the identity of Your personal representatives within one month. You also agree that either You or Your personal representatives will inform Us when Your personal representatives assume responsibility for managing Your personal, health, legal or business affairs. You also agree to have in place a will with a named executor. You agree to execute forms compliant with Federal privacy laws (including by not limited to HIPAA) directing with whom We can communicate regarding Your health. Although We are under no obligation to do so, You agree to reimburse Us for all expenses We may incur as the result of Your having failed to make or to keep such arrangements, including but not limited to, the cost and fees incurred by Us in obtaining a guardian for Your person and/or conservator to manage Your financial estate.

G. LOSS OR DAMAGE TO PROPERTY OR PERSON

We will not be responsible for the loss or damage of any of Your personal property due to routine maintenance, housekeeping activities, theft, fire, other casualty or any other cause. Our insurance policy(ies) shall not protect You against loss or damage to Your personal property. You may desire to obtain such policy(ies) of insurance as may be appropriate to provide against theft, fire or other casualty to Your personal property.

1. You agree that neither We nor Our agents, employees or staff will be liable for death or injury not caused by Our active negligence.
2. You agree to indemnify and hold Us and Our agents, employees and staff harmless from and against any and all claims, demands, actions and causes of action (including any costs and

attorney's fees), whether from injury to person, loss of life or damage to property, occurring in or about Your off-campus Home.

H. ENTIRE AGREEMENT

This Agreement, including the Application for Membership (including, without limitation, the health, financial and other related documentation You provide Us) and the Disclosure Statement, comprise the entire Agreement between You and Us, all prior representations and agreements having been merged into this Agreement. No amendment or special provision of this Agreement will be valid or enforceable unless set forth in a written document executed by all Residents who are parties hereto and on behalf of Pinnacle Living by its President.

I. SEVERABILITY

Except as otherwise specifically provided in this Agreement, the invalidity or amendment of any restriction, condition, clause or other provision of this Agreement, or of any part thereof, will not impair or affect in any way the validity, enforceability or effect of the rest of this Agreement.

J. GOVERNING LAW, COSTS OF ENFORCEMENT AND NOTICE

This Agreement is made in Virginia, and it shall be governed and construed, in all respects, in accordance with the laws of the Commonwealth of Virginia. In the event of a dispute concerning the performance of this Agreement, the substantially prevailing party will be allowed to collect from the other party its court costs and reasonable attorney fees in such dispute. Notice to You may be given at the address listed above or, should You come to reside on Campus, at Your Campus address. Notice to Us shall be given to the President of Pinnacle Living at 5101 Cox Rd #225, Glen Allen, VA 23060.

K. NON-WAIVER OF BREACH

If in one or more instances We fail to insist that You perform any of Your obligations under this Agreement, such failure shall not be construed as a waiver of any past, present or future rights We have under this Agreement; Your obligations shall nevertheless continue in full force and effect.

L. NO OWNERSHIP INTEREST

The rights and privileges granted to You by 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 Us. Your rights are primarily for services. Any rights, privileges or benefits under this Agreement or any interest or contractual rights of any nature in Cedarfield, including the right to any refund of the Membership Entrance Fee, Your Refund 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 Cedarfield or any of Cedarfield's real or personal property, and to any amendment, modification, replacement or refunding thereof.

M. ASSIGNABILITY

You may not assign Your rights or obligations hereunder, in whole or in part. We shall have the right to assign Our rights and obligations hereunder in whole or in part to any successor owner or lender, either outright or as security for any indebtedness of Cedarfield, without Your consent. The transfer of ownership of Cedarfield, or any part thereof, shall not be deemed a termination of this Agreement.

N. GENERAL TERMS WHEN RESIDING IN HEALTH SERVICES

When residing in Health Services You agree to the following:

Team Members and Acting without Assistance. You understand that Our team members are available 24 hours a day, seven days a week, but that the Community does not staff on a one-to-one basis. You understand and agree that the Community cannot and does not provide uninterrupted accompaniment of Members and thus cannot be responsible for injuries or harm to a Member resulting from Your decision to act without assistance of a team member. Subject to then current policies of the Community, You may contract for such assistance privately; provided it does not alter the continuing care character of the Community and further provided that You obtain the prior approval of the Administrator of the Community.

Holding Residence. In the event that You leave Your Residence (such as for a hospital stay) while residing in Our Health Services, Your residence will be held for seven (7) calendar days and You will be charged the then current discounted Health Services Per Diem Fee. In Our discretion and subject to availability, Your original Residence may be held beyond seven (7) calendar days at Your request and You will be charged the Health Services Per Diem Fee, less a meal credit for the raw food cost.

Transfer Due to Change in Your Condition. You also agree that, if You suffer any condition for which We are not permitted to provide, or for which We are not capable of providing, appropriate services (including Our inability to provide such services due to a lack of availability of an appropriate accommodation or staffing), We shall, in consultation with the IDC Team, You, and Your personal representative and (if appropriate) Your physician, assist in transferring You to an appropriate institution or facility and terminate this Agreement.

Change of Residence. You acknowledge that, from time to time, We may need to make repairs, renovations, improvements, enhancements or other changes (collectively "construction") to Your Health Services residence, and You agree to grant Us access to Your Health Services residence for such purposes. You also agree that, if such construction is significant enough to cause the Executive Director of the Community to deem Your relocation necessary or appropriate, You will relocate temporarily (or permanently if such be deemed necessary) to another residence in the Community. We agree to provide You with reasonable notice (except in the case of emergency) of Our intention to provide any such construction. You agree that You do not have any leasehold or other interest in any of Our real property.

Removal of Your property. For so long as Your personal property remains in Your Residence, You will be charged the then current discounted Health Services Per Diem Fee. In the event of Your death or permanent transfer from Your Health Services Residence, unless otherwise agreed to by Us in writing, all of Your personal property shall be removed within seventy-two (72) hours. If such property has not been removed by the expiration of such period, We will have the right but not the obligation to remove the property from Your Health Services Residence and to charge You for the actual cost of storing, insuring, transporting and preserving the property, such costs not to be less than one hundred

dollars (\$100.00) per month. We will have a lien in such property to the extent of such costs and the costs of recovering same.

Hold Over of Property. In all other circumstances, if Your property remains in Your Residence, You will be charged the applicable daily rate of the Health Services Fee.

O. LOSS OR DAMAGE TO PROPERTY OR PERSON

Your Responsibility. We shall not be responsible for the loss of or damage to any property belonging to You, or to any other person, due to theft, routine maintenance or housekeeping activities or for any other cause. Our insurance policy(ies) will not protect You against loss or damage to Your personal property. You may desire to obtain such policy(ies) of insurance as may be appropriate to provide against theft, fire or other casualty to Your personal property.

Indemnification. You agree to indemnify and hold Us and each of Our agents, team and staff members harmless from and against any and all claims, demands, actions and causes of action (including any cost and attorney’s fees) caused by You, whether from injury to person, loss of life or damage to property, occurring in or about Your Health Services Residence or involving You anywhere else in the Community not caused by Our actual negligence

WITNESS THE SIGNATURES of the parties to this Agreement.

MEMBERS(S):

Date

Member

Date

Joint Member (if applicable)

PINNACLE LIVING

By: _____

Title: _____

Schedule A (1)

SOCIAL, RECREATIONAL, WELLNESS AND CULTURAL PROGRAMS

Social, Educational, Wellness, Recreational and Cultural Programs

- Our Pathways to Wellness program recognizes that each Pinnacle Advantage Member's physical, psychological, and spiritual needs are of the utmost importance. We seek to assist Pinnacle Advantage members in expressing significance and purpose in their lives by providing life-enhancing, diverse activities and programming. These programs inspire wellness in a variety of ways: Strength and endurance, emotional balance, creative expression, spirituality, intellectual growth, dining/ diet/ nutrition, brain fitness, community outreach, and socialization.
- *Wellness Services* - Your Membership Fee includes an annual wellness consultation with Our registered nurse and social worker. You may access this service by making an appointment with Cedarfield.
- Members are invited to participate in the following (subject to change and availability):
 - Fitness classes
 - Aquatic classes
 - Orientation on use of fitness facility and equipment
 - Arts and creative expression classes
 - Educational opportunities
 - Entertainment Opportunities, as space permits.
- Spirituality, emotional balance, community outreach
 - Pet therapy
 - Yoga (cost associated)
 - Tai Chi (cost associated)
 - Support groups
 - Spirituality
 - Weekly worship services
 - Bible studies
 - Religious lectures
 - Chaplain Chats
 - Art and Spirituality
 - Community Outreach opportunities
 - Food Bank
 - Ronald McDonald House
 - Shalom Farms
 - Alzheimer's association

Schedule A (2)

Additional Social, Recreational, Cultural and other Services

Available at an Additional Cost

- Personal training sessions;
- Alternative therapies, such as massage (prevailing vendor rates);
- Salon services (prevailing vendor rates);
- Catered meal functions (varies with menu choices and location);
- Guest suites (based on availability);
- Personal laundry services (wash, dry, and fold);
- Dietitian Consultation;
- Meeting Spaces;
- Transportation to events (subject to availability).

Schedule A (3)

CLINIC SERVICES

Clinic Services including:

- Services available at time of hospital discharge including:
 - Arrangement for at home safety assessments
 - Assistance with private duty companion referrals
 - Assistance in arranging housekeeping
 - Driver resources
- Lifestyle/health services transition planning including:
 - Companion resources
 - Driver resources
 - Meal Preparation resources
 - Housekeeping resources
 - Moving, Packing and organizing resources
- Access to Rehabilitation (provided and billed by the Third Party Provider to You and Your insurer) including:
 - Physical Therapy
 - Occupational Therapy
 - Speech and Language pathology
 - Audiologist
- Other Third Party Services Available
 - Dental services (Provided and billed by third party);
 - Podiatry services (Provided and billed by third party);
 - On-site pharmacy (Provided and billed by third party);

Schedule B

DINING VENUES

Members may enjoy Cedarfield's Various Dining Venues currently including the following:

- Pub
- Coffee House
- Take Out
- Prima
- Café
- Cedar Grill

Schedule C

HEALTH SERVICES

FEE SCHEDULE 2021-2022

Level of Services	Cedarfield Fee	Pinnacle Advantage Base Fee At (80%)
Assisted Living		
Base Monthly Fee	\$7,815 - \$8,765	\$6,252 - \$7,012
Assisted Living Additional Monthly Services Tier Fees		
Services Tier 1	\$380	\$304
Services Tier 2	\$775	\$620
Services Tier 3	\$1,185	\$948
Services Tier 4	\$1,615	\$1,292
Services Tier 5	\$2,055	\$1,644
Services Tier 6	\$2,510	\$2,008
Assisted Living Additional Monthly Medication Management Fees		
Tier 1: 1-2 Medications	\$330	\$264
Tier 2: 3-6 Medications	\$445	\$356
Tier 3: More than 6 Medications	\$555	\$444
Monthly Fee		
Memory Support Center	\$7,820	\$6,256
Monthly Fee		
Nursing Care (Private)	\$429	\$343

Fees are subject to change on thirty (30) days advance written notice.

Schedule D (1)

ASSISTED LIVING Services Included in Monthly Service Fee

- three meals per day, plus snacks and beverages;
- dietary consultation;
- daily housekeeping to include flat linen service;
- nursing assistance and monitoring 24 hours per day;
- water, sewer, electric, heating and cooling;
- access to WiFi;
- trash disposal;
- pest control services;
- maintenance of apartment and grounds;
- one hour of personal maintenance service within the first week following move-in for picture hanging and furniture arrangement. Supplies not included. Hours not used are not carried over for future use;
- special diets, if ordered by physician;
- 24-hour security;
- emergency call system;
- regularly scheduled social, cultural, educational, wellness and recreational programs;
- access to Wellness and Fitness Center, pool and tennis;
- chapel and chaplain services;
- transportation to regularly scheduled shopping trips and routinely scheduled events;
- scheduled transportation in accordance with policies;
- woodworking shop, garden area and library;
- use of common areas (some require scheduling);
- use of laundry facilities;
- access to Clinic with on-site physician's services;
- temporary tray service (up to 3 days);
- priority access to Health Services, including Respite Care, per contract.

Schedule D (2)

ASSISTED LIVING

Available at an Additional Cost

- housekeeping beyond routine service at prevailing community rates;
- on site physician services (physician must have a service agreement with Pinnacle Living; fee for services made directly between resident and physician);
- physician on call 24 hours a day;
- dentist and podiatrist services;
- alternative therapies, such as massage (prevailing vendor rates);
- salon services (prevailing vendor rates);
- wound care;
- medical supplies and dressings;
- medication administration;
- basic cable TV service (billed monthly at community rate);
- premium cable TV service (prevailing vendor rates);
- catered meal functions (varies with menu choices and location);
- guest suites (based on availability);
- concierge services;
- personal laundry services (was, dry, and fold);
- rehabilitation services based on prevailing rates; special programs, concert tickets, catered trips;
- telephone (billed monthly at community rate);
- high speed internet (prevailing vendor rates);
- on-site pharmacy;
- long term care insurance review and filing, at prevailing community rate;
- medical and personal transportation (prevailing community rates, based on availability);
- dry cleaning services;
- guest meals.

Schedule E (1)

MEMORY SUPPORT

Services Included in Monthly Service Fee

- three meals per day, plus snacks and beverages;
- dietary consultation;
- daily housekeeping to include flat linen service;
- nursing assistance and monitoring 24 hours per day;
- medication administration;
- water, sewer, electric, heating and cooling;
- access to WiFi;
- trash disposal;
- pest control services;
- maintenance of apartment and grounds;
- one hour of personal maintenance service within the first week following move-in for picture hanging and furniture arrangement. Supplies not included. Hours not used are not carried over for future use;
- special diets, if ordered by physician;
- 24-hour security;
- emergency call system;
- regularly scheduled social, cultural, educational, wellness and recreational programs;
- access to Wellness and Fitness Center, pool and tennis;
- chapel and chaplain services;
- transportation to regularly scheduled shopping trips and routinely scheduled events;
- scheduled transportation in accordance with policies;
- woodworking shop, garden area and library;
- use of common areas (some require scheduling);
- use of laundry facilities;
- access to Clinic with on-site physician's services;
- temporary tray service (up to 3 days);
- priority access to Health Services, including Respite Care, per contract.

Schedule E (2)

MEMORY SUPPORT

Available at an Additional Cost

- housekeeping beyond routine service at prevailing community rates;
- on site physician services (physician must have a service agreement with Pinnacle Living; fee for services made directly between resident and physician);
- physician on call 24 hours a day;
- dentist and podiatrist services;
- alternative therapies, such as massage (prevailing vendor rates);
- salon services (prevailing vendor rates);
- wound care;
- medical supplies and dressings;
- basic cable TV service (billed monthly at community rate);
- premium cable TV service (prevailing vendor rates);
- catered meal functions (varies with menu choices and location);
- guest suites (based on availability);
- concierge services;
- personal laundry services (was, dry, and fold);
- rehabilitation services based on prevailing rates; special programs, concert tickets, catered trips;
- telephone (billed monthly at community rate);
- high speed internet (prevailing vendor rates);
- on-site pharmacy;
- long term care insurance review and filing, at prevailing community rate;
- medical and personal transportation (prevailing community rates, based on availability);
- dry cleaning services;
- guest meals.

Schedule F (1)

RESIDENTIAL NURSING

Services Included in Monthly Service Fee

- three meals per day, plus snacks and beverages;
- dietary consultation;
- daily light housekeeping;
- linen changes weekly and as needed;
- nursing assistance and monitoring 24 hours per day;
- medication administration;
- water, sewer, electric, heating and cooling;
- access to WiFi
- trash disposal;
- pest control services;
- maintenance of common spaces and grounds;
- special diets, if ordered by physician;
- 24-hour security;
- regularly scheduled social, cultural, educational, wellness and recreational programs;
- Scheduled transportation in accordance with policies;
- access to Wellness and Fitness Center, pool and tennis;
- transportation to regularly scheduled shopping trips and planned special events;
- woodworking shop, garden center & library;
- use of common areas (some require scheduling);
- chapel and chaplain services
- use of laundry facilities;
- access to Cedarfield Clinic with on-site physician's services;
- temporary tray service (up to 3 days);
- scheduled transportation in accordance with policies.

Schedule F (2)

RESIDENTIAL NURSING

Available at an Additional Cost

- on site physician services (physician must have a service agreement with Pinnacle Living; fee for services made directly between resident and physician);
- physician on call 24 hours a day;
- dentist and podiatrist services;
- alternative therapies, such as massage (prevailing vendor rates);
- salon services (prevailing vendor rates);
- wound care;
- medical supplies and dressings;
- basic cable TV service (billed monthly at community rate);
- premium cable TV service (prevailing vendor rates);
- high speed internet (at prevailing vendor rates);
- catered meal functions (varies with menu choices and location);
- guest suites (based on availability);
- concierge services;
- personal laundry services (wash, dry and fold);
- rehabilitation services based on prevailing rates;
- special programs, concert tickets, catered trips;
- telephone (billed monthly at community rate);
- personal transportation (prevailing community rates, based on availability);
- on-site pharmacy;
- long term care insurance review and filing, at prevailing community rate;
- guest meals;
- dry cleaning services.

P I N N A C L E
L I V I N G

**Combined Financial Report
May 31, 2022**

Exhibit A

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pinnacle Living
Richmond, Virginia

Opinion

We have audited the accompanying combined financial statements of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation, which comprise the combined balance sheets as of May 31, 2022, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation as of May 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards 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, including omissions, 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Prior Period Financial Statements

The combined financial statements as of May 31, 2021, prior to restatement, were audited by Mitchell, Wiggins & Company, LLP, who was acquired by Brown Edwards as of November 1, 2021, and whose report dated September 14, 2021, expressed an unmodified opinion on those statements.

Report of Restatement Adjustments to Financial Statements

As part of our audit for the May 31, 2022 combined financial statements, we also audited the adjustments described in Note 19 that were applied to restate the May 31, 2021 combined financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the May 31, 2021 combined financial statements of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the May 31, 2021 combined financial statements as a whole.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia
September 28, 2022

PINNACLE LIVING
COMBINED BALANCE SHEETS MAY 31, 2022 AND 2021

	2022	2021 Restated
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 26,724,446	\$ 25,002,521
Cash and cash equivalents with donor restrictions	431,233	161,649
Total cash and cash equivalents	27,155,679	25,164,170
Accounts receivable, residents, less allowance for uncollectible accounts 2022 \$1,494,811; 2021 \$2,799,260	299,047	196,206
Accounts receivable, other	1,688,933	1,154,450
Prepaid expenses	283,545	322,660
Accrued income receivable	117,576	101,705
Assets whose use is limited	8,472,287	9,229,719
Other assets	396,350	412,424
Total current assets	38,413,417	36,581,334
Beneficial interest in trusts, with donor restrictions	19,739,753	23,404,338
Investments	63,308,306	60,651,052
Investments, with donor restrictions	5,867,935	6,382,011
Investments in Senior Living Partners of Virginia	236,137	359,000
Assets whose use is limited	29,129,221	33,886,896
Other assets	2,103,533	465,507
Property and equipment, net	224,891,377	221,563,080
Total assets	\$ 383,689,679	\$ 383,293,218
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 2,594,252	\$ 2,715,113
Resident refunds payable	9,672	-
Accrued expenses	9,279,518	8,765,395
Deposits, prospective residents	447,882	628,467
Bonds payable	3,730,000	2,630,000
Other liabilities	1,420,578	72,736
Total current liabilities	17,481,902	14,811,711
Resident refunds payable	5,138,261	6,597,651
Deposits, prospective residents	764,000	640,000
Bonds and note payable, net of OID 2022 \$2,889,247; 2021 \$7,451,837 and bond issuance costs 2022 \$3,185,223; 2021 \$2,426,959	161,196,944	143,787,259
Deferred revenue, entrance fees	101,093,984	98,779,403
Refundable fees	51,920,435	51,657,998
Other liabilities	392,943	529,681
Total liabilities	337,988,469	316,803,703
Net Assets		
Without donor restrictions		
Undesignated	14,499,413	31,378,641
With board designations	5,162,876	5,162,876
With donor restrictions		
Purpose restricted for Samaritan Program	2,925,916	3,334,977
Purpose restricted for all other programs	399,314	234,745
Perpetual in nature - investments	2,973,938	2,973,938
Perpetual in nature - beneficial interest in trusts	19,739,753	23,404,338
Total net assets	45,701,210	66,489,515
Total liabilities and net assets	\$ 383,689,679	\$ 383,293,218

See Notes to Combined Financial Statements

PINNACLE LIVING
COMBINED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Residents' fees	\$ 67,433,250	\$ -	\$ 67,433,250
Membership fees	96,388	-	96,388
Benevolent care	(338,136)	-	(338,136)
Amortization of deferred revenue from entrance fees	13,062,906	-	13,062,906
Ancillary service revenue, net	425,601	-	425,601
Other operating revenue	3,349,389	-	3,349,389
Net assets released from restrictions	420,777	(420,777)	-
Total operating revenues and support	84,450,175	(420,777)	84,029,398
Operating expenses			
Administration	11,667,829	-	11,667,829
Marketing	3,117,456	-	3,117,456
General overhead	2,110,801	-	2,110,801
Depreciation	11,190,209	-	11,190,209
Dining	11,843,669	-	11,843,669
Resident services	3,226,659	-	3,226,659
Designated funds	82,641	-	82,641
Building and grounds	11,224,367	-	11,224,367
Housekeeping	3,799,710	-	3,799,710
Households / Neighborhoods	23,716,001	-	23,716,001
Total operating expenses	81,979,342	-	81,979,342
Change in net assets from operations	2,470,833	(420,777)	2,050,056
Other non-operating changes			
Bequests	27,130	-	27,130
Trusts and legacies	802,846	-	802,846
Present value change in trusts	-	(3,664,585)	(3,664,585)
Loss on disposal of property and equipment	(54,432)	-	(54,432)
Contributions, other	15,393	-	15,393
Contributions, Samaritan funds	-	314,959	314,959
Contributions, restricted funds	-	247,210	247,210
Investment income	2,517,599	145,735	2,663,334
Net realized gain (loss) on investments	545,668	(75,667)	470,001
Net unrealized loss on investments	(5,933,421)	(455,952)	(6,389,373)
Interest expense	(4,698,985)	-	(4,698,985)
Loss on defeasance	(12,441,821)	-	(12,441,821)
Other non-operating charges and fees	(130,038)	-	(130,038)
Total other non-operating changes	(19,350,061)	(3,488,300)	(22,838,361)
Change in net assets	(16,879,228)	(3,909,077)	(20,788,305)
Net assets at the beginning of the year	36,541,517	29,947,998	66,489,515
Net assets at the end of the year	\$ 19,662,289	\$ 26,038,921	\$ 45,701,210

See Notes to Combined Financial Statements

PINNACLE LIVING
 COMBINED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2021 Restated

	Without Donor Restrictions Restated	With Donor Restrictions Restated	Total Restated
Operating revenues and support			
Residents' fees	\$ 62,833,750	\$ -	\$ 62,833,750
Membership Fees	71,539	-	71,539
Benevolent care	(454,869)	-	(454,869)
Amortization of deferred revenue from entrance fees	13,561,561	-	13,561,561
Ancillary service revenue, net	493,492	-	493,492
Other operating revenue	4,681,565	-	4,681,565
Net assets released from restrictions	454,867	(454,867)	-
Total operating revenues and support	81,641,905	(454,867)	81,187,038
Operating expenses			
Administration	11,467,732	-	11,467,732
Marketing	3,222,367	-	3,222,367
General overhead	1,970,327	-	1,970,327
Depreciation	10,850,831	-	10,850,831
Dining	10,633,042	-	10,633,042
Resident services	3,121,081	-	3,121,081
Designated funds	83,201	-	83,201
Building and grounds	10,847,668	-	10,847,668
Housekeeping	3,522,249	-	3,522,249
Households / Neighborhoods	21,793,453	-	21,793,453
Total operating expenses	77,511,951	-	77,511,951
Change in net assets from operations	4,129,954	(454,867)	3,675,087
Other non-operating changes			
Bequests	47,497	-	47,497
Trusts and legacies	787,084	-	787,084
Present value change in trusts	-	6,033,735	6,033,735
Gain on disposal of property and equipment	(396,846)	-	(396,846)
Contributions, other	48,135	-	48,135
Contributions, Samaritan funds	-	844,332	844,332
Contributions, restricted funds	83,201	87,485	170,686
Investment income	1,161,606	133,848	1,295,454
Net realized gain (loss) on investments	3,016,429	308,475	3,324,904
Net unrealized gain (loss) on investments	5,237,165	(448,709)	4,788,456
Interest expense	(5,092,437)	-	(5,092,437)
Other non-operating charges and fees	(244,315)	-	(244,315)
Total other non-operating changes	4,647,519	6,959,166	11,606,685
Change in net assets	8,777,473	6,504,299	15,281,772
Net assets at the beginning of the year	27,764,044	23,443,699	51,207,743
Net assets at the end of the year	\$ 36,541,517	\$ 29,947,998	\$ 66,489,515

See Notes to Combined Financial Statements

PINNACLE LIVING
COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021 Restated
Operating Activities		
Change in net assets	\$ (20,788,305)	\$ 15,281,772
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,190,209	10,850,831
Amortization of deferred revenue from entrance fees	(13,062,906)	(13,561,561)
Amortization of bond issuance costs	160,944	129,260
Amortization of original issue premium on bonds payable	(1,143,373)	(375,576)
Realized gains on investments	(470,001)	(3,324,904)
Unrealized (gains) losses on investments	6,389,373	(4,788,456)
Loss on disposal of property and equipment	54,432	396,846
Proceeds of Pinnacle Advantage membership entrance fees	190,000	180,000
Proceeds of first generation entrance fees	1,435,830	9,916,475
Proceeds after first generation entrance fees	19,854,571	18,965,650
Refunds of entrance fees	(7,254,939)	(7,880,996)
Beneficial interest in trusts, with donor restrictions	3,664,585	(6,033,735)
Forgiveness of payroll protection program debt	-	(1,142,900)
Loss on defeasance	12,441,821	-
Changes in operating assets		
Accounts receivable, residents	(102,841)	182,055
Accounts receivable, other	(630,048)	137,608
Accrued income receivable	(15,871)	16,940
Prepaid expenses	39,115	(71,241)
Other assets	78,829	(244,015)
Changes in operating liabilities		
Accounts payable	(120,861)	(3,358,662)
Resident refunds payable	12,391	(189,763)
Accrued expenses	514,123	(701,633)
Deposits, prospective residents	(56,585)	(839,761)
Other liabilities	1,211,104	(172,968)
Net cash provided by operating activities	13,591,597	13,371,266
Investment Activities		
Proceeds from sales of investment securities	17,533,157	25,634,478
Purchase of investments	(18,928,578)	(3,202,103)
Withdrawal from investments	(2,000,000)	(5,900,000)
Proceeds from the sale of property and equipment	806,926	-
Purchase of property and equipment, Cedarfield expansion	(8,284,918)	(9,962,455)
Purchase of property and equipment, capitalized interest	(1,111,835)	(2,260,744)
Purchase of property and equipment, routine	(5,975,859)	(5,436,508)
Net cash used in investment activities	(17,961,107)	(1,127,332)

PINNACLE LIVING
COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021 Restated
Financing Activities		
Bond issuance costs	(961,363)	-
Original issue premium	2,098,667	-
Cap premium	(750,000)	-
Interest expense financed on Series 2013A bonds	(2,953,050)	-
Issuance of debt on 2021A bonds	26,800,000	-
Issuance of debt on 2021B bonds	29,365,000	790,152
Issuance of taxable loan	2,075,000	-
Issuance of payroll protection loan	-	4,587,820
Principal payment of Series 2012 bonds	(2,060,000)	(1,985,000)
Principal payment of Series 2013A bonds	(29,040,000)	(485,000)
Principal payment of Series 2013A subordinate bonds	(9,897,733)	-
Principal payment of Series 2016 bonds	(6,547,777)	(178,484)
Principal payment of Series 2019B bonds	(1,212,725)	-
Principal payment of Series 2021B bonds	-	(9,567,275)
Principal payment on taxable loan	(555,000)	-
Net cash provided by (used in) financing activities	6,361,019	(6,837,787)
Net change in cash and cash equivalents	1,991,509	5,406,147
Cash and cash equivalents, beginning	25,164,170	19,758,023
Cash and cash equivalents, ending	\$ 27,155,679	\$ 25,164,170
Supplemental disclosure of cash flow information, cash payments for interest, net of amounts capitalized	\$ 7,296,457	\$ 7,893,554
Supplemental schedule of noncash financing activities, forgiveness of payroll protection program debt	\$ -	\$ 1,142,900

See Notes to Combined Financial Statements

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Virginia United Methodist Homes, Inc. d/b/a Pinnacle Living is a non-stock, §501(c)(3) (tax-exempt) entity organized under the laws of the Commonwealth of Virginia for the purpose of providing quality care for the elderly in the Commonwealth of Virginia. Pinnacle Living currently operates five active life plan communities, a community based continuing care program, and one §509(a)(3) entity throughout the Commonwealth of Virginia. Of Pinnacle Living's five active life plan communities, three accept term lease contracts, and two accept entrance fee contracts. Specifically, the communities that make up Pinnacle Living are as follows:

Hermitage Northern Virginia; located in Alexandria, Virginia

- A Pinnacle Living term contract life plan community.
- Target retirement age is 80+ for all levels of care.
- Principal markets in Virginia are the counties of Fairfax and Arlington, and the cities of Alexandria, Falls Church, Annandale, Springfield, Burke, Kingstowne, Vienna, Mclean, and Lorton. The District of Columbia is also a principal market.
- Revenue is primarily derived from resident fees.

Hermitage Richmond; located in Richmond, Virginia

- A Pinnacle Living term contract life plan community.
- Target retirement age is 84+ for all levels of care.
- Principal market is Richmond City, Near West End of Henrico County, and parts of Mechanicsville in Hanover County, Virginia.
- Revenue is primarily derived from resident fees.

Hermitage Roanoke; located in Roanoke, Virginia

- A Pinnacle Living term contract life plan community.
- Target retirement age is 75+ for independent living, 85+ for assisted living, and 90+ for the health center.
- Principal markets are the counties of Bedford, Botetourt, and Franklin, the city of Salem, and the town of Vinton, Virginia.
- Revenue is primarily derived from resident fees.

Cedarfield; located in Henrico, Virginia

- A Pinnacle Living Entrance Fee life plan community.
- Target retirement age for Cedarfield is 65 - 84 for independent living. Cedarfield is a life-care community and as such fills its assisted living and health center primary through internal transfers.
- Principal markets are the counties of Henrico and Goochland and parts of Richmond City, Virginia.
- Revenue is primarily derived from resident fees.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Pinnacle Advantage; located in Henrico, Virginia

- A Pinnacle Living Early Acceptance program.
- Target retirement age for Pinnacle Advantage is 65 – 85.
- Pinnacle Advantage provides certain amenities at Cedarfield while a member remains in their home and provides a path for transitioning to Cedarfield’s health services when needed.

In 2003, Pinnacle Living formed a non-stock, §501(c)(3) (tax-exempt) entity, Virginia United Methodist Homes of Williamsburg, Inc., dba WindsorMeade Williamsburg (“WindsorMeade”). Pinnacle Living is the sole member of WindsorMeade and has the right to appoint its directors. WindsorMeade operates a life plan community in the Williamsburg, Virginia area and is a Pinnacle Living Entrance Fee life plan community. The target retirement age for WindsorMeade is 70+ for independent living. WindsorMeade predominately fills its assisted living and health center from internal transfers. WindsorMeade’s principal market is James City County and Williamsburg, Virginia. The majority of revenue is derived from resident fees.

In 2013, Pinnacle Living formed a supporting organization as contemplated under §509(a)(3) of the Internal Revenue Code entitled Hermitage Capital and Reserve Corporation (“HCRC”). HCRC is a Virginia non-stock corporation exempt from taxation pursuant to IRC §501(c)(3). Pinnacle Living is the sole member of HCRC with the right to appoint all but one of the directors. WindsorMeade is entitled to appoint the other director. HCRC maintains funds that may only be used to support Pinnacle Living and/or WindsorMeade.

In 2020, Pinnacle Living and Lifespire of Virginia, a trading name for Virginia Baptist Homes, Inc. (“Lifespire”) formed Senior Living Partners of Virginia, LLC, a Virginia limited liability company (“SLPV”). Pinnacle Living and Lifespire are the two members of SLPV. SLPV is in the process of applying for status as a public charity under IRC §501(c)(3). SLPV will provide home health services under a license from the Virginia Department of Health and home care services, such as private duty nurses, from separate limited liability companies of which it will be the sole member. SLPV is governed by a Board of Managers consisting of five members, two of whom are appointed by Pinnacle Living, two of whom are appointed by Lifespire and one of whom is appointed from the community by the mutual agreement of Pinnacle Living and Lifespire.

Pinnacle Living, WindsorMeade, and HCRC are collectively referred to as the “Organization”.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Accounts receivable

The Organization routinely extends credit in connection with the Organization's activities to residents in its communities. Accounts are carried at their estimated collectible amounts and are generally extended on a short-term basis and therefore do not bear interest.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expenses incurred were \$1,220,836 and \$1,407,877 for the years ended May 31, 2022 and 2021, respectively.

Allowance for uncollectible accounts

The allowance for uncollectible accounts is established through a provision for uncollectible accounts charged to expense. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing accounts that may become uncollectible. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of individual accounts receivable. Accounts receivable are charged against the allowance when deemed to be uncollectible. Subsequent recoveries are added to the allowance.

Assets whose use is limited

Assets whose use is limited consist of the following:

- Assets restricted by bond indenture agreements, which may be expended only in connection with Pinnacle Living (for debt taken out on Cedarfield) and WindsorMeade.
- Assets held for contingences with Pinnacle Living's annuity bonds.
- Assets restricted by escrow agreements to secure deposits made by prospective residents of Pinnacle Living and WindsorMeade.
- Assets held on behalf of the residents.

Beneficial interest in trusts

Beneficial interest in perpetual trusts is recognized when the decedent's will is declared valid by the probate court. The amount recognized (fair value) is determined by discounting the expected future cash flows using an appropriate discount rate, which may be based on a 30-year U.S. Treasury security or the actual yield of the trust if known. After the original recognition of the beneficial interest in a trust, the Organization will annually review the fair value of its beneficial interest and adjust as necessary. At times, the Organization may have beneficial interests in trusts where sufficient financial information is not readily available to record these interests. However, these interests may be significant.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Bond issuance costs

Bond issuance costs are amortized over the lives of the related bonds and the amortization is included as part of interest expense. For Pinnacle Living, the 2012 bonds will amortize its bond issuance costs until 2028. The 2017C and 2019 bonds will have their bond issuance costs amortized until 2053. For WindsorMeade, bond issuance costs for the 2021 bonds will amortize its bond issuance costs until 2040. Amortization was \$160,944 and \$129,260 for the years ended May 31, 2022, and 2021, respectively.

Cash and cash equivalents

For purposes of reporting the combined statements of cash flows, the Organization includes all general fund cash accounts without and with donor restrictions, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments with a maturity of three months or less as cash and cash equivalents.

Combination and basis of financial statement presentation

The accompanying combined financial statements include the accounts of Pinnacle Living, WindsorMeade and Hermitage Capital and Reserve Corporation. All significant intercompany transactions and balances have been eliminated in the combined financial statements.

The combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and general industry practices.

Contributed services

During the years ended May 31, 2022, and 2021, the value of contributed services meeting the requirements for recognition in the combined financial statements was not material and has not been recorded. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's various activities.

Contributions

Contributions received are recorded without or with donor restrictions depending on the existence or nature of any donor restrictions.

Derivative Instrument

WindsorMeade uses an interest rate cap to effectively place a ceiling on the variable rate interest WindsorMeade will have to pay on 2021B bonds. The change in the fair value of the cap agreement of \$950,781 is included in net unrealized gain (loss) on investments on the combined statement of activities for the year ended May 31, 2022 and the payments from the counterparty to the cap are netted with the interest expense on the bonds. Cash flows from interest rate cap contracts are classified as a financing activity on the statement of cash flows.

The cap asset is measured at fair value using Level 3 fair value measurement inputs as defined in Note 4.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Entrance fees

Fees paid by a resident upon entering a continuing care contract, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Entrance fees are listed on the combined statements of cash flows as *Proceeds after first generation entrance fees* and *Proceeds of first-generation entrance fees*. *Proceeds after first generation entrance fees* represent entrance fees received after first generation entrance fees (or after a particular residence is originally occupied). These entrance fees are not restricted or designated for a particular purpose. *Proceeds of first-generation entrance fees* represent entrance fees with Cedarfield's new independent living apartments. These entrance fees will be used to pay the 2019B bonds. Anything collected above what is owed on the 2019B bonds is not restricted or designated for another purpose.

Cedarfield and WindsorMeade require residents in the independent living residences to pay a one-time upfront entrance fee, typically between \$140,725 to \$1,060,220, which is partially refundable in certain circumstances. The amount of the entrance fee varies depending upon the type and size of the residence, the type of contract plan selected, whether the contract contains a life-care benefit for the resident, the amount and timing of the refund, and other variables. These agreements are subject to regulation by the Virginia State Corporation Commission. In addition to a resident's entrance fee, residents under all of the Organization's entrance fee agreements also pay a monthly service fee, which entitles them to the use of certain amenities and services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation

The primary purpose of financial statements is to provide relevant information to meet the common interest of donors, members, creditors, and others who provide resources to the Organization. More specifically, the purpose of financial statements, including the accompanying notes, is to provide information about the following: a) the amount and nature of the Organization's assets, liabilities and net assets; b) the effects of transactions and other events and circumstances that change the amount and nature of net assets, c) the amount and kinds of inflows and outflows of economic resources during a period and the relation between the inflows and outflows; d) how the Organization obtains and spends cash, its borrowing and repayment of borrowing, and other factors that may affect its liquidity; e) the service efforts of the Organization.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Financial statement presentation, continued

General-purpose external financial statements include a statement of financial position (or balance sheet), a statement of activities and a cash flow statement. In addition, certain entities provide either a statement or footnote disclosure of functional expenses. Further, general-purpose financial statements classify and report net assets in two groups; net assets with donor restrictions and net assets without donor restrictions based on the existence or absence of donor-imposed restrictions and the nature of those restrictions.

Net assets without donor restrictions include resources that can be used currently for the general operations of the Organization and amounts designated by the Board for contingencies.

Net assets with donor restrictions may be temporary or permanent. Some donor-imposed restrictions impose limits that are permanent, for example, stipulated those resources be invested in perpetuity. Others are temporary, for example, stipulated that resources may be used only after a specified date, for programs or services, or to acquire buildings and equipment.

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying combined statements of activities. Note 17 - Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as personnel costs, professional services, office expenses, information technology, insurance, and other costs, which are allocated on the basis of estimates of time and effort.

Income taxes

Pinnacle Living, WindsorMeade, and HCRC are non-stock corporations exempt from taxation pursuant to IRC § 501(c)(3). Contributions to Pinnacle Living, WindsorMeade, and HCRC are tax deductible. Before soliciting contributions to HCRC, Pinnacle Living would amend its filing with the IRS to state the fact that it intended to make solicitations from the public. None of the entities that comprise the Organization are classified as private foundations under IRC § 509(a)(1) and 170(b)(1)(A)(vi). HCRC is a supporting organization for Pinnacle Living and WindsorMeade pursuant to IRC § 509(a)(3).

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the taxing authorities for years ending before May 31, 2019.

The Organization includes penalties and interest assessed by income taxing authorities in other non-operating charges and fees. The Organization did not have penalties and interest relating to income taxes for the years ended May 31, 2022, and 2021.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments and investment income

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined balance sheets. Unrealized gains and losses are included in the change in net assets as required by accounting standards. The Organization has also adopted authoritative guidance regarding the *Endowment of Not-for Profit Organizations: Net Asset Classification of Fund Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

Obligation to provide future services

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. Any obligation is discounted based on the expected long-term rate of return of invested funds. Pinnacle Living and WindsorMeade did not have an obligation to provide future services for fiscal 2022 or fiscal 2021.

Original issue discount and original issue premium

The original issue premium on bonds payable is amortized into interest expense using the effective interest method.

Property and equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair market value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following table summarizes the estimated useful lives of the assets:

Landscaping.....	5 to 25 years
Buildings.....	35 to 50 years
Building additions or upgrades.....	5 to 40 years
Large equipment.....	5 to 15 years
Small equipment.....	2 to 7 years

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Net Assets With and Without Donor Restrictions

Net assets with and without donor restrictions include the following:

Pinnacle Living			
		May 31, 2022	May 31, 2021 Restated
Without Donor Restrictions			
Undesignated	\$	24,291,039	\$ 26,668,302
Board Designated			
Samaritan Program		5,162,876	5,162,876
With Donor Restrictions			
Purpose restricted programs			
Samaritan Program		2,854,943	3,296,882
All other programs			
Angel Fund		72,598	61,794
Community Enrichment Fund		52,430	17,673
Flower Fund		3,140	3,992
Library Funds		1,358	1,430
Technology Fund		735	4,204
Spiritual Life Fund		23,657	4,326
Resident Program Fund		9,125	3,307
Pinnacle Hero		14,078	7,170
Scholarship Fund		123,875	74,418
Perpetual in nature			
Investments		2,973,938	2,973,938
Beneficial interest in trusts		19,739,753	23,404,338
Total net assets		55,323,545	\$ 61,684,650

WindsorMeade			
		May 31, 2022	May 31, 2021 Restated
Without Donor Restrictions			
Undesignated	\$	(26,410,534)	\$ (13,887,429)
With Donor Restrictions			
Purpose restricted programs			
Samaritan Program		70,973	38,095
All other programs			
Angel Fund		19,924	17,764
Community Enrichment Fund		30,650	150
Resident Program Fund		1,247	-
Scholarship Fund		46,497	38,517
Total net assets	\$	(26,241,243)	\$ (13,792,903)

Hermitage Capital & Reserve Corporation			
		May 31, 2022	May 31, 2021 Restated
Without Donor Restrictions			
Undesignated	\$	16,618,908	\$ 19,048,478

Combined			
		May 31, 2022	May 31, 2021 Restated
Total net assets before eliminations	\$	45,701,210	\$ 66,940,225
Less: Eliminations between Pinnacle Living and WindsorMeade and HCRC		-	(450,710)
Total net assets, combined	\$	45,701,210	\$ 66,489,515

NOTES TO COMBINED FINANCIAL STATEMENTS

3. Investments

Investments are managed for the Organization by outside parties.

May 31, 2022					
Pinnacle Living					
		Total Cost		Total FMV	Unrealized Appreciation (Depreciation)
Cash/Money market funds	\$	27,842,253	\$	27,842,253	\$ -
Mutual funds		24,313,304		24,992,573	679,269
Stocks		5,256,752		6,502,576	1,245,824
Bonds		23,900,243		21,833,611	(2,066,632)
Total Pinnacle Living	\$	81,312,552	\$	81,171,013	\$ (141,539)

May 31, 2022					
WindsorMeade					
		Total Cost		Total FMV	Unrealized Appreciation (Depreciation)
Cash/Money market funds	\$	6,164,995	\$	6,164,995	\$ -
Total WindsorMeade	\$	6,164,995	\$	6,164,995	\$ -

May 31, 2022					
Hermitage Capital & Reserve Corporation					
		Total Cost		Total FMV	Unrealized Appreciation (Depreciation)
Mutual Funds	\$	16,968,950	\$	15,847,481	\$ (1,121,469)
Total HCRC	\$	16,968,950	\$	15,847,481	\$ (1,121,469)

May 31, 2022					
Combined Total					
		Total Cost		Total FMV	Unrealized Appreciation (Depreciation)
Cash/Money market funds	\$	34,007,248	\$	34,007,248	\$ -
Mutual funds		41,282,254		40,840,054	(442,200)
Stocks		5,256,752		6,502,576	1,245,824
Bonds		23,900,243		21,833,611	(2,066,632)
Total combined	\$	104,446,497	\$	103,183,489	\$ (1,263,008)

NOTES TO COMBINED FINANCIAL STATEMENTS

3. Investments (Continued)

May 31, 2021 Restated						
Pinnacle Living						
		Total Cost		Total FMV		Unrealized Appreciation (Depreciation)
Cash/Money market funds	\$	37,277,428	\$	37,277,428	\$	-
Mutual funds		16,089,530		19,271,409		3,181,879
Stocks		4,352,164		7,048,308		2,696,144
Bonds		21,204,695		21,508,160		303,465
Total Pinnacle Living	\$	78,923,817	\$	85,105,305	\$	6,181,488

May 31, 2021						
WindsorMeade						
		Total Cost		Total FMV		Unrealized Appreciation (Depreciation)
Cash/Money market funds	\$	5,677,193	\$	5,677,193	\$	-
Total WindsorMeade	\$	5,677,193	\$	5,677,193	\$	-

May 31, 2021						
Hermitage Capital & Reserve Corporation						
		Total Cost		Total FMV		Unrealized Appreciation (Depreciation)
Cash/Money market funds	\$	66,006	\$	66,006	\$	-
Mutual Funds		17,925,996		17,942,155		16,159
Total HCRC	\$	17,992,002	\$	18,008,161	\$	16,159

May 31, 2021 Restated						
Combined Total						
		Total Cost		Total FMV		Unrealized Appreciation (Depreciation)
Cash/Money market funds	\$	43,020,627	\$	43,020,627	\$	-
Mutual funds		34,015,526		37,213,564		3,198,038
Stocks		4,352,164		7,048,308		2,696,144
Bonds		21,204,695		21,508,160		303,465
Total combined	\$	102,593,012	\$	108,790,659	\$	6,197,647

The assets held by Pinnacle Living in WindsorMeade at May 31, 2021, valued at \$7,980,000, would be considered Level 2 municipal bonds. This amount is eliminated on the combined balance sheets.

These investments are shown on the combined balance sheets as follows:

		2022		2021 Restated
Investments without donor restrictions	\$	63,308,306	\$	60,651,052
Investments with donor restrictions		5,867,935		6,382,011
Assets whose use is limited		34,007,248		41,757,596
Total combined	\$	103,183,489	\$	108,790,659

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value

Generally Accepted Accounting Principles (GAAP) requires disclosure of the fair value of certain assets, the valuation techniques employed to determine fair value, and provides the framework for measuring fair value. The fair value framework includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

Level 1 Input

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. A Level 1 input will be available for many financial assets and liabilities, some of which might be exchanged in multiple active markets.

Level 2 Input

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Input

Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances.

A description of the valuation methodologies used for assets measured by fair value is below. There have been no changes in the methodologies used at May 31, 2022 and 2021.

Money market funds

Money market funds are valued at the net asset value of shares held at year end.

Mutual funds

Mutual funds are valued at the net asset value of shares held at year end.

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

Stocks

Stocks are valued based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Bonds

Corporate bonds are valued using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used are for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bonds, or single-name credit default swap spreads and recovery rates based on collateral values as key inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

The fair value of government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority. Government bonds are generally categorized in Levels 1 and 2.

Beneficial interest in trusts

Fair value for the beneficial interest in charitable trusts is determined by calculating the present value of the future distributions expected to be received from the trust using a discount rate.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

Fiscal 2022 information is provided below:

May 31, 2022						
Pinnacle Living						
	Total FMV	Level 1	Level 2	Level 3		
Cash/Money market funds						
Cash and money market funds	\$ 27,842,253	\$ 27,842,253	\$ -	\$ -		
Mutual Funds						
Cash	558,055	558,055				
Foreign large blend	3,224,930	3,224,930				
Large cap value	7,052,626	7,052,626	-			-
Real asset	1,636,156	1,636,156	-			-
Real estate	1,750,351	1,750,351	-			-
Short term bond	6,271,616	6,271,616	-			-
Small cap value	3,396,231	3,396,231	-			-
Ultrashort bond	1,102,608	1,102,608				
Stocks						
Large cap core	915,202	915,202	-			-
Large cap growth	2,268,695	2,268,695	-			-
Large cap value	145,974	145,974	-			-
Mid cap core	1,191,423	1,191,423	-			-
Mid cap growth	534,877	534,877	-			-
Mid cap value	1,044,397	1,044,397	-			-
Real estate	17,510	17,510	-			-
Small cap core	154,128	154,128	-			-
Small cap growth	98,730	98,730	-			-
Small cap value	131,640	131,640	-			-
Bonds						
Agency	2,701,708	2,701,708	-			-
Corporate	9,756,775	-	9,756,775			-
Government	3,890,955	2,391,046	1,499,909			-
Principal paydown	5,484,173	3,673,054	1,811,119			
Beneficial interest in trusts	19,739,753	-	-			19,739,753
Total Pinnacle Living	\$ 100,910,766	\$ 68,103,210	\$ 13,067,803	\$ -		\$ 19,739,753

May 31, 2022						
WindsorMeade						
	Total FMV	Level 1	Level 2	Level 3		
Cash/Money market funds						
Domestic Fixed Income	\$ 6,164,995	\$ 6,164,995	\$ -	\$ -		-
Total WindsorMeade	\$ 6,164,995	\$ 6,164,995	\$ -	\$ -		-

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

May 31, 2022						
Hermitage Capital & Reserve Corporation						
	Total FMV	Level 1	Level 2	Level 3		
Mutual Funds						
Cash	41,150	41,150	-			-
Intermediate core bond	1,633,634	1,633,634	-			-
Large cap growth	308,036	308,036	-			-
Large cap value	542,451	542,451	-			-
Short term bond	12,193,679	12,193,679	-			-
Ultrashort bond	1,128,531	1,128,531				
Total HCRC	\$ 15,847,481	\$ 15,847,481	\$ -		\$ -	

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

May 31, 2022					
Combined Total					
	Total FMV	Level 1	Level 2	Level 3	
Cash/Money market funds					
Cash and money market funds	\$ 27,842,253	\$ 27,842,253	\$ -	\$ -	
Domestic fixed income	6,164,995	6,164,995	-	-	
Mutual funds					
Cash	599,205	599,205	-	-	
Foreign large blend	3,224,930	3,224,930	-	-	
Intermediate core bond	1,633,634	1,633,634	-	-	
Large cap growth	308,036	308,036	-	-	
Large cap value	7,595,077	7,595,077	-	-	
Real asset	1,636,156	1,636,156	-	-	
Real estate	1,750,351	1,750,351	-	-	
Short term bond	18,465,295	18,465,295	-	-	
Small cap value	3,396,231	3,396,231	-	-	
Ultrashort bond	2,231,139	2,231,139	-	-	
Stocks					
Large cap core	915,202	915,202	-	-	
Large cap growth	2,268,695	2,268,695	-	-	
Large cap value	145,974	145,974	-	-	
Mid cap core	1,191,423	1,191,423	-	-	
Mid cap growth	534,877	534,877	-	-	
Mid cap value	1,044,397	1,044,397	-	-	
Real estate	17,510	17,510	-	-	
Small cap core	154,128	154,128	-	-	
Small cap growth	98,730	98,730	-	-	
Small cap value	131,640	131,640	-	-	
Bonds					
Agency	2,701,708	2,701,708	-	-	
Corporate	9,756,775	-	9,756,775	-	
Government	3,890,955	2,391,046	1,499,909	-	
Principal paydown	5,484,173	3,673,054	1,811,119	-	
Beneficial interest in trusts	19,739,753	-	-	19,739,753	
Total combined	\$ 122,923,242	\$ 90,115,686	\$ 13,067,803	\$ 19,739,753	

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

Fiscal 2021 information is provided below.

May 31, 2021 Restated						
Pinnacle Living						
	Total FMV	Level 1	Level 2	Level 3		
Cash/Money market funds						
Cash and money market funds	\$ 37,277,428	\$ 37,277,428	\$ -	\$ -		
Mutual funds						
International	3,608,120	3,608,120	-	-		
Large cap value	8,048,273	8,048,273	-	-		
Real asset	1,372,980	1,372,980	-	-		
Real estate	1,393,090	1,393,090	-	-		
Short-term bond	1,391,213	1,391,213	-	-		
Small cap value	3,457,733	3,457,733	-	-		
Stocks						
Large cap core	1,244,998	1,244,998	-	-		
Large cap growth	2,572,580	2,572,580	-	-		
Large cap value	538,136	538,136	-	-		
Mid cap core	944,465	944,465	-	-		
Mid cap growth	481,791	481,791	-	-		
Mid cap value	921,725	921,725	-	-		
Real estate	117,102	117,102	-	-		
Small cap core	45,211	45,211	-	-		
Small cap growth	31,211	31,211	-	-		
Small cap value	151,089	151,089	-	-		
Bonds						
Agency	5,451,200	5,451,200	-	-		
Corporate	12,020,898	-	12,020,898	-		
Government	4,036,062	4,036,062	-	-		
Beneficial interest in trusts	23,404,338	-	-	-		23,404,338
Total Pinnacle Living	\$ 108,509,643	\$ 73,084,407	\$ 12,020,898	\$ -		\$ 23,404,338

May 31, 2021						
WindsorMeade						
	Total FMV	Level 1	Level 2	Level 3		
Cash/Money market funds						
Domestic Fixed Income	\$ 5,677,193	\$ 5,677,193	\$ -	\$ -		
Total WindsorMeade	\$ 5,677,193	\$ 5,677,193	\$ -	\$ -		

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

May 31, 2021					
Hermitage Capital & Reserve Corporation					
	Total FMV	Level 1	Level 2	Level 3	
Cash/Money market funds					
Cash and money market funds	\$ 66,006	\$ 66,006	\$ -	\$ -	
Mutual Funds					
Intermediate core bond	2,215,663	2,215,663	-	-	
Large cap growth	343,287	343,287	-	-	
Large cap value	534,975	534,975	-	-	
Short-term bond	14,848,230	14,848,230	-	-	
Total HCRC	\$ 18,008,161	\$ 18,008,161	\$ -	\$ -	

May 31, 2021 Restated					
Combined Total					
	Total FMV	Level 1	Level 2	Level 3	
Cash/Money market funds					
Cash and money market funds	\$ 37,343,434	\$ 37,343,434	\$ -	\$ -	
Domestic fixed income	5,677,193	5,677,193			
Mutual funds					
Intermediate core bond	2,215,663	2,215,663			
International	3,608,120	3,608,120	-	-	
Large cap growth	343,287	343,287			
Large cap value	8,583,248	8,583,248	-	-	
Real asset	1,372,980	1,372,980	-	-	
Real estate	1,393,090	1,393,090	-	-	
Short-term bond	16,239,443	16,239,443	-	-	
Small cap value	3,457,733	3,457,733	-	-	
Stocks					
Large cap core	1,244,998	1,244,998	-	-	
Large cap growth	2,572,580	2,572,580	-	-	
Large cap value	538,136	538,136	-	-	
Mid cap core	944,465	944,465	-	-	
Mid cap growth	481,791	481,791	-	-	
Mid cap value	921,725	921,725	-	-	
Real estate	117,102	117,102	-	-	
Small cap core	45,211	45,211	-	-	
Small cap growth	31,211	31,211	-	-	
Small cap value	151,089	151,089	-	-	
Bonds					
Agency	5,451,200	5,451,200	-	-	
Corporate	12,020,898	-	12,020,898	-	
Government	4,036,062	4,036,062	-	-	
Beneficial interest in trusts	23,404,338	-	-	23,404,338	
Total combined	\$ 132,194,997	\$ 96,769,761	\$ 12,020,898	\$ 23,404,338	

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Beneficial interest in trusts		
May 31, 2020	\$	17,370,603
Change in value		6,033,735
May 31, 2021	\$	23,404,338
Change in value		(3,664,585)
May 31, 2022	\$	19,739,753

5. Assets Whose Use is Limited

Assets whose use is limited consists of the following:

May 31, 2022				
	Pinnacle Living		WindsorMeade	Total
Investments held under indenture agreement by Trustee				
Bond principal fund	\$ 2,160,028	\$	-	\$ 2,160,028
Bond interest fund	2,903,091		625,440	3,528,531
Debt service reserve fund	7,218,485		2,419,412	9,637,897
Construction fund	15,560,649		-	15,560,649
Capital reserve and replacement fund	-		3,120,143	3,120,143
Total investments as assets whose use is limited	27,842,253		6,164,995	34,007,248
Resident accounts				
Resident accounts	13,410		-	13,410
Guild accounts	39,335		-	39,335
Escrow deposit on sale of Hermitage Northern Virginia	1,335,000		-	1,335,000
Assets held from prospective members				
To secure deposits	1,318,368		77,615	1,395,983
Future deposits	613,757		165,000	778,757
Assets held in reserve for annuity bonds				
Assets held in reserve for annuity bonds	31,775		-	31,775
Total assets whose use is limited	\$ 31,193,898	\$	6,407,610	\$ 37,601,508

There were no assets whose use was limited for HCRC in fiscal year 2022.

NOTES TO COMBINED FINANCIAL STATEMENTS

5. Assets Whose Use is Limited (Continued)

May 31, 2021

	Pinnacle Living		WindsorMeade		Total
Investments held under indenture agreement by Trustee					
Bond principal fund	\$ 3,050,593	\$	875,030	\$	3,925,623
Bond interest fund	3,520,279		1,099,855		4,620,134
Debt service reserve fund	7,424,674		2,295,530		9,720,204
Construction fund	22,084,857		-		22,084,857
Capital reserve and replacement fund	-		1,406,778		1,406,778
Total investments as assets whose use is limited	36,080,403		5,677,193		41,757,596
Resident accounts	14,536		-		14,536
Guild accounts	40,958		-		40,958
Assets held from prospective members					
To secure deposits	388,233		240,234		628,467
Future deposits	479,000		161,000		640,000
Assets held in reserve for annuity bonds	35,058		-		35,058
Total assets whose use is limited	\$ 37,038,188	\$	6,078,427	\$	43,116,615

There were no assets whose use was limited for HCRC in fiscal year 2021.

NOTES TO COMBINED FINANCIAL STATEMENTS

6. Property and Equipment

A summary of property and equipment is as follows:

May 31, 2022

	Pinnacle Living	WindsorMeade	HCRC	Total
Land and landscaping	\$ 7,287,569	\$ 5,115,388	\$ 145,692	\$ 12,548,649
Leasehold improvements	94,001	-	-	94,001
Building	194,781,223	125,398,801	-	320,180,024
Furniture and equipment	9,275,050	3,294,641	-	12,569,691
Capital projects in process	10,615,799	1,380,770	-	11,996,569
Capitalized interest	6,275,608	-	-	6,275,608
Property and equipment, gross	228,329,250	135,189,600	145,692	363,664,542
Less: Accumulated depreciation	(91,786,442)	(46,986,723)	-	(138,773,165)
Property and equipment, net	\$ 136,542,808	88,202,877	145,692	224,891,377

May 31, 2021 Restated

	Pinnacle Living	WindsorMeade	HCRC	Total
Land and landscaping	\$ 7,394,191	\$ 5,067,543	\$ 145,692	\$ 12,607,426
Leasehold improvements	94,001	-	-	94,001
Building	140,902,346	124,518,755	-	265,421,101
Furniture and equipment	9,021,614	3,188,552	-	12,210,166
Capital projects in process	54,480,558	287,714	-	54,768,272
Capitalized interest	5,163,772	-	-	5,163,772
Property and equipment, gross	217,056,482	133,062,564	145,692	350,264,738
Less: Accumulated depreciation	(85,495,074)	(43,206,584)	-	(128,701,658)
Property and equipment, net	\$ 131,561,408	89,855,980	145,692	221,563,080

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable

PINNACLE LIVING

On August 9, 2012, Pinnacle Living entered into a loan agreement with the Economic Development Authority of Henrico County, Virginia to borrow the proceeds of the Authority's \$30,425,000 Residential Care Facility Revenue Refunding Bonds, Series 2012. The Series 2012 Bonds are secured by a pledge of Pinnacle Living's revenues, a first lien deed of trust on the real estate portion of the Cedarfield facility, and a security interest in the equipment of the Cedarfield facility. The primary purpose of this loan was (a) refunding of the outstanding principal balance of the Authority's \$45,505,000 Residential Care Facility Revenue Refunding Bonds, Series 2002A and Series 2002B, (b) funding a Debt Service Reserve Fund for the Series 2012 Bonds, and (c) paying costs of issuance, and other amounts relating to the Series 2012 Bonds. The interest rates for the Series 2012 Bonds are fixed and range from 3.00% to 5.00%.

The Series 2012 Bonds principal and interest payments are as follows:

May 31, 2022						
Fiscal Year		Principal		Interest		Total
2023	\$	2,160,000	\$	624,206	\$	2,784,206
2024		2,270,000		513,456		2,783,456
2025		2,385,000		397,081		2,782,081
2026		2,500,000		274,956		2,774,956
2027		2,410,000		161,244		2,571,244
2028		2,515,000		55,016		2,570,016
Total	\$	14,240,000	\$	2,025,959	\$	16,265,959

On December 27, 2017, Pinnacle Living entered into a loan agreement with the Virginia Small Business Financing Authority to borrow the proceeds of the Authority's Residential Care Facility Revenue Bonds, Series 2017C in the amount of \$54,710,000. The primary purpose of the Series 2017C Bond was to refund the Authority's \$25,060,000 and \$25,595,000 Residential Care Facility Revenue Bonds, Series 2017A and Series 2017B, (b) funding a Debt Service Reserve Fund for the Series 2017C Bonds, and (c) paying costs of issuance, and other amounts relating to the Series 2017 Bonds. The interest rates for the Series 2017C Bonds are fixed and range from 3.50% to 5.00%.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

The Series 2017C Bonds principal and interest payments are as follows:

May 31, 2022			
Fiscal Year	Principal	Interest	Total
2023	\$ -	\$ 2,717,850	\$ 2,717,850
2024	-	2,717,850	2,717,850
2025	-	2,717,850	2,717,850
2026	-	2,717,850	2,717,850
2027	-	2,717,850	2,717,850
2028	-	2,717,850	2,717,850
2029	870,000	2,702,625	3,572,625
2030	910,000	2,664,650	3,574,650
2031	955,000	2,618,025	3,573,025
2032	1,005,000	2,569,025	3,574,025
2033	1,055,000	2,517,525	3,572,525
2034	1,110,000	2,463,400	3,573,400
2035	1,175,000	2,406,275	3,581,275
2036	1,230,000	2,346,150	3,576,150
2037	1,300,000	2,282,900	3,582,900
2038	1,365,000	2,216,275	3,581,275
2039	1,430,000	2,148,700	3,578,700
2040	1,505,000	2,077,625	3,582,625
2041	1,585,000	2,000,375	3,585,375
2042	1,840,000	1,914,750	3,754,750
2043	2,060,000	1,817,250	3,877,250
2044	2,165,000	1,711,625	3,876,625
2045	2,280,000	1,600,500	3,880,500
2046	2,395,000	1,483,625	3,878,625
2047	2,520,000	1,360,750	3,880,750
2048	2,650,000	1,231,500	3,881,500
2049	2,790,000	1,095,500	3,885,500
2050	4,750,000	907,000	5,657,000
2051	4,995,000	663,375	5,658,375
2052	5,250,000	407,250	5,657,250
2053	5,520,000	138,000	5,658,000
Subtotal	54,710,000	61,651,775	116,361,775
Original issue premium	512,522	-	512,522
Total	\$ 55,222,522	\$ 61,651,775	\$ 116,874,297

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

On March 13, 2019, the Economic Development Authority of Henrico County, Virginia issued \$34,000,000 in Residential Care Facilities Revenue Bonds Series 2019A to provide funds to be used (1) to finance costs associated with renovation and expansion of Pinnacle Living's continuing care retirement community known as Cedarfield including (without limitation) (A) acquiring, constructing, designing, equipping and renovating additional independent living and assisted living units, (B) renovating existing independent living units, (C) renovating memory support facility, (D) acquiring, constructing, designing, equipping and renovating rehabilitation facility, (E) acquiring, constructing, designing, equipping and renovating health care (including assisted living and nursing care) and wellness center facility, (F) renovating common areas, (G) acquiring, constructing, designing, equipping and renovating dining, physical therapy, parking and wellness facility and (H) performing site work and other community-related improvement; and (2) to finance costs related to a debt service reserve fund, costs of issuance, funded interest through approximately July 1, 2020, working capital, routing capital expenditures at Cedarfield and other expenses in connection with the issuance of the Bonds. The interest rates for the Series 2019A Bonds are fixed and range from 4.00% to 5.00%.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

The Series 2019A Bonds principal and interest payments are as follows:

May 31, 2022			
Fiscal Year	Principal	Interest	Total
2023	\$ -	\$ 1,695,513	\$ 1,695,513
2024	-	1,695,513	1,695,513
2025	-	1,695,513	1,695,513
2026	-	1,695,513	1,695,513
2027	-	1,695,513	1,695,513
2028	-	1,695,513	1,695,513
2029	895,000	1,673,388	2,568,388
2030	935,000	1,628,163	2,563,163
2031	985,000	1,580,438	2,565,438
2032	1,035,000	1,529,938	2,564,938
2033	1,090,000	1,476,813	2,566,813
2034	1,145,000	1,420,938	2,565,938
2035	1,195,000	1,362,438	2,557,438
2036	1,260,000	1,301,063	2,561,063
2037	1,320,000	1,236,563	2,556,563
2038	1,390,000	1,168,813	2,558,813
2039	1,465,000	1,097,438	2,562,438
2040	1,535,000	1,022,438	2,557,438
2041	1,610,000	945,531	2,555,531
2042	1,650,000	865,750	2,515,750
2043	1,705,000	781,875	2,486,875
2044	1,795,000	694,375	2,489,375
2045	1,885,000	602,375	2,487,375
2046	1,980,000	505,750	2,485,750
2047	2,080,000	404,250	2,484,250
2048	2,185,000	297,625	2,482,625
2049	2,295,000	185,625	2,480,625
2050	595,000	113,375	708,375
2051	625,000	82,875	707,875
2052	655,000	50,875	705,875
2053	690,000	17,250	707,250
Subtotal	34,000,000	32,219,040	66,219,040
Original issue premium	592,960	-	592,960
Total	\$ 34,592,960	\$ 32,219,040	\$ 66,812,000

Simultaneously with the issuance of the Series 2019A Bonds, the Authority issued its \$11,000,000 Residential Care Facilities Revenue Bond Series 2019B as a separate resolution. The Series 2019B bonds have a separate Loan Agreement with STI Institution and Government, Inc., an affiliate of SunTrust Bank. These bonds are being issued on a draw-down basis. The interest rate for the Series 2019B bonds is 81% of LIBOR plus a spread of 1.40%. The average interest rate for fiscal 2022 was 1.22%. The principal on this bond has been paid.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

WINDSORMEADE

On May 31, 2013, WindsorMeade entered into a loan agreement with the Economic Development Authority of James City County, Virginia with respect to the restructuring of the Authority's \$114,270,000 Residential Care Facility Revenue Bonds, Series 2007A, 2007B, and 2007C through the issuance of the Authority's Residential Care Facility Revenue Bonds Series 2013A (Senior) (the "Series 2013A Senior Bonds"), the Residential Care Facility Revenue Bonds Series 2013A (Subordinate) (the "Series 2013A Subordinate Bonds"), the Residential Care Facility Revenue Bonds Series 2013B (Senior) (the "Series 2013B Senior Bonds") and the Residential Care Facility Revenue Bonds Series 2013C (Senior) (the "Series 2013C Senior Bonds" and together with the Series 2013A Senior Bonds, the Series 2013A Subordinate Bonds and the Series 2013B Senior Bonds, (the "Series 2013 Bonds"). The Series 2013 Bonds are secured by a pledge of WindsorMeade's revenues, a lien on the real estate portion of the WindsorMeade facility and improvements thereon, and a security agreement in the equipment of the WindsorMeade facility. The Series 2013 Bonds are as follows:

- Series 2013A Senior Bonds:
 - Principal amount: \$30,000,160
 - Final maturity: June 1, 2043
 - Fixed rate bonds
 - Stated interest 6% per annum
- Series 2013A Subordinate Bonds:
 - Initial principal amount: \$9,703,660
 - Final maturity: June 1, 2048
 - Fixed rate bonds
 - Stated interest rate 2% per annum
- Series 2013B Senior Bonds:
 - Aggregate principal amount: \$6,500,000
 - Final maturity: June 1, 2042
 - Fixed rate bonds
 - Interest is 6% per annum
- Series 2013C Senior Bonds:
 - Aggregate principal amount: \$2,000,000
 - Final maturity: June 1, 2028
 - Fixed rate bonds
 - Interest is 4% per annum

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

The WindsorMeade Series 2013 bonds were accounted for using the effective interest rate method. In using the effective interest rate method, the carrying values of the bonds are calculated as the present value of the coupon payments (based on the stated interest rate), principal payment, and the market interest rate at the time of issuance. Depending on the amount calculated as the carrying value of the bonds, the bonds can be purchased at par or with a premium or discount. If the bond issue is determined to be issued at a premium or discount this difference between the par value and purchase price is amortized over the life of the bond as interest expense. Please see below for a summary of details used to calculate the carrying value of the 2013 bonds on the balance sheet at emergence.

Bond Issue	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Original Issue Discount
2013A–Senior Bonds	6%	7%	6/1/2043	\$30,000,160	\$3,741,730
2013A–Subordinate Bonds	2%	12%	6/1/2048	9,703,660	9,387,677
2013B–Senior Bonds	6%	5.50%-7.00%	6/1/2042	6,500,000	480,777
2013C–Senior Bonds	4%	5.98%-7.87%	6/1/2028	2,000,000	500,165

On September 29, 2016, WindsorMeade entered into a loan agreement with the Economic Development Authority of James City County to borrow the proceeds of the Authority's \$7,000,000 Residential Care Facility Revenue Bond, Series 2016. The Series 2016 Bond was secured by a pledge of WindsorMeade's revenues, a first lien deed of trust on the real estate portion of WindsorMeade, and a security interest in the equipment of the WindsorMeade facility. The primary purpose of the Series 2016 Bond was to (a) finance the renovation and expansion of the health center at WindsorMeade, and (b) pay costs of issuance. The interest rate on the Series 2016 Bond is a variable rate equal to 75% of one-month LIBOR plus a spread of 2.25%.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

On August 31, 2021, WindsorMeade entered into a loan agreement with the Economic Development Authority of James City County, Virginia to borrow the proceeds of the Authority's \$26,800,00 Residential Care Facility Revenue Refunding Bonds, Series 2021A ("Series 2021A Bonds").

- The proceeds from the Series 2021A Bonds were used to: (a) refinance the outstanding principal balance of the Authority's Series 2013A Subordinate Bonds, Series 2013B Senior Bonds and 2016 Bank Loan, (b) finance future routine capital projects, (c) fund a Debt Service Reserve Fund, and (d) pay cost of issuance related to the Series 2021A Bonds.
- The interest rates for the Series 2021A Bonds are fixed and range from 2.83% to 3.03%. Simultaneously with the issuance of the Series 2021A Bonds, the Authority issued \$29,365,000 taxable residential care facility revenue bond, Series 2021B ("Series 2021B Bond"), and WindsorMeade entered into a \$2,075,000 taxable loan (the "2021 Taxable Loan").
- The Series 2021B Bond is held by Truist Bank and the proceeds will be used to: (a) refinance the outstanding principal of the Authority's Series 2013A Senior Bonds, and (b) pay cost of issuance related to the Series 2021B Bond.
- Upon satisfaction of certain conditions set for in a Forward Delivery Bond Purchase and Loan Agreement between Authority, STI Institutional & Government, Inc. and WindsorMeade, in March 2023 the Series 2021B Bond will convert to a tax-exempt Series 2023 Bond ("Series 2023 Bond").
- The Series 2021B Bond will carry an interest rate equal to the Secured Overnight Financing Rate ("SOFR") plus 1.78% with a minimum rate of 1.95%.
- When successfully issued, the Series 2023 Bond will carry an interest rate equal to 79% of SOFR plus 1.41% with a minimum rate of 1.54% and a maximum rate of 2.91%.
- The 2021 Taxable Loan is held by Truist Bank and the proceeds will be used to: (a) refinance the Series 2013C Bonds, (b) fund the cost of an interest rate cap, and (c) pay cost of issuance related to the 2021 Taxable Loan.
- The Series 2021A Bonds, the Series 2021B Bond, the 2021 Taxable Loan, and eventually the Series 2023 Bond are secured by a pledge of WindsorMeade's revenues, a first lien deed of trust on the real estate portion of the WindsorMeade facility, and a security interest in the equipment of the WindsorMeade facility.

The accompanying fiscal 2022 combined statement of activities includes a loss on defeasance of \$12,441,821 resulting from the refinance of the 2013 bonds.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

The Series 2021A Bonds scheduled principal and interest payments are as follows:

May 31, 2022			
Fiscal Year	Principal	Interest	Total
2023	\$ -	\$ 1,072,000	\$ 1,072,000
2024	-	1,072,000	1,072,000
2025	60,000	1,070,800	1,130,800
2026	65,000	1,068,300	1,133,300
2027	65,000	1,065,700	1,130,700
2028	65,000	1,063,100	1,128,100
2029	75,000	1,060,300	1,135,300
2030	75,000	1,057,300	1,132,300
2031	75,000	1,054,300	1,129,300
2032	80,000	1,051,200	1,131,200
2033	85,000	1,047,900	1,132,900
2034	85,000	1,044,500	1,129,500
2035	90,000	1,041,000	1,131,000
2036	90,000	1,037,400	1,127,400
2037	95,000	1,033,700	1,128,700
2038	105,000	1,029,700	1,134,700
2039	105,000	1,025,500	1,130,500
2040	2,410,000	975,200	3,385,200
2041	2,505,000	876,900	3,381,900
2042	2,610,000	774,600	3,384,600
2043	2,720,000	668,000	3,388,000
2044	2,830,000	557,000	3,387,000
2045	2,945,000	441,500	3,386,500
2046	3,065,000	321,300	3,386,300
2047	3,185,000	196,300	3,381,300
2048	3,315,000	66,300	3,381,300
Subtotal	26,800,000	22,771,800	49,571,800
Original issue premium	1,783,865	-	1,783,865
Total	28,583,865	22,771,800	51,355,665

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

The Series 2021B Bonds interest rate shall be the sum of the daily SOFR plus 1.78%. Once the bonds convert to the Series 2023 Senior Bond the interest rate shall equal 79% of the Daily SOFR plus 1.78%. The interest rate has a floor of 1.95% during the Series 2021B Bonds and 1.54% when it converts to the 2023B Senior Bond. Effective August 31, 2021, WindsorMeade entered a captioned transaction (“cap”) for \$750,000 with Truist Bank. The transaction effectively places a ceiling on the variable rate on the Series 2023 bond of 2.91%.

The Taxable Bond interest rate shall be the sum of the daily SOFR plus 1.48%. The interest rate has a floor of 1.65%.

The Series 2021B Bond, Taxable Bonds and Series 2023 Bond scheduled principal payments are as follows: The average interest rate for fiscal 2022 was 1.69%.

May 31, 2022		
Fiscal Year		Principal
2023	\$	1,570,000
2024		1,495,000
2025		1,525,000
2026		1,565,000
2027		1,610,000
2028		1,655,000
2029		1,700,000
2030		1,745,000
2031		1,790,000
2032		1,840,000
2033		1,890,000
2034		1,940,000
2035		1,995,000
2036		2,050,000
2037		2,105,000
2038		2,165,000
2039		2,245,000
Total	\$	30,885,000

HERMITAGE CAPITAL AND RESERVE CORPORATION

Hermitage Capital and Reserve Corporation had no bonds or loans outstanding effective May 31, 2022 or 2021.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

THE COMBINED ORGANIZATION

The bonds and note payable for fiscal years 2022 and 2021 shown on the combined balance sheets consist of the following:

	May 31, 2022	May 31, 2021
Pinnacle Living		
2012 senior bonds	\$ 14,240,000	\$ 16,300,000
Premium on 2012 senior bonds	-	118,387
2017C senior bonds	54,710,000	54,710,000
Premium on 2017C senior bonds	512,522	1,025,053
2019A senior bonds	34,000,000	34,000,000
Premium on 2019A senior bonds	592,960	790,613
2019B senior bonds	-	1,212,725
Bond issuance costs, net	(2,263,919)	(2,384,804)
Payroll Protection Program	4,587,820	4,587,820
Total bonds and note payable, Pinnacle Living	106,379,383	110,359,794
WindsorMeade		
2013A senior bonds	-	29,040,000
Discount on 2013A senior bonds	-	(2,143,986)
2013A subordinate bonds	-	9,897,733
Discount on 2013A subordinate bonds	-	(7,241,904)
2013B senior bonds	-	6,500,000
Discount on 2013B senior bonds	-	(320,927)
2013C senior bonds	-	1,480,000
Discount on 2013C senior bonds	-	(129,783)
2016 senior bonds	-	6,547,777
2021A senior bonds	26,800,000	
Premium on 2021A senior bonds	1,783,865	
2021B senior bonds	30,885,000	
Bond issuance costs, net	(921,304)	(42,155)
Total bonds payable, WindsorMeade	58,547,561	43,586,755
Total bonds payable	164,926,944	153,946,549
Less: Eliminations between Pinnacle Living and WindsorMeade		
2013B senior bonds	-	(6,500,000)
2013C senior bonds	-	(1,480,000)
Discount on 2013B senior bonds	-	320,927
Discount on 2013C senior bonds	-	129,783
Total bonds and note payable, combined	\$ 164,926,944	\$ 146,417,259

NOTES TO COMBINED FINANCIAL STATEMENTS

8. Employee Retirement Plan

The Organization has a defined contribution retirement plan. All employees may participate in the plan, however, full-time employees and those part-time employees who work over twenty hours a week are eligible for employer contributions as of the first payroll period which includes the anniversary date following twelve months of service. Employer contributions to the plan are approved by the Board of Directors. The total retirement expense for the years ended May 31, 2022 and 2021 was \$1,812,400 and \$1,947,126, respectively.

9. Concentrations of Credit Risk

The Organization has checking accounts and money market mutual funds, at financial institutions, which are not fully insured by the FDIC. The checking accounts are insured to the FDIC limit of \$250,000 per financial institution. At May 31, 2022, the Organization had cash balances in a financial institution in excess of the amounts insured by the FDIC.

The Organization does not require collateral for any of its receivables.

In certain circumstances and on a case-by-case basis, WindsorMeade may grant a prospective resident the option of deferring the payment of their entrance fee for up to four months in order to allow that resident to obtain the funds necessary to pay the entrance fee. This optional deferral is typically offered in circumstances where a resident has been unable to sell an existing home and requires funds from the sale in order to pay the entrance fee. This optional deferral program is an integral part of WindsorMeade's ability to attract interested and eligible residents. In the event the entrance fee is not paid on the entrance fee due date, the resident agrees to pay a finance charge of nine percent per annum until either (i) the balance of the entrance fee is paid in full or (ii) the Residency Agreement is terminated.

10. Commitments and Contingencies

Pinnacle Living entered into a long-term operating lease agreement for office facilities. The lease runs until November 30, 2022. The following is a schedule of the rental payments under the lease agreement:

<u>Year Ending</u>	
May 31, 2023	<u>90,301</u>
Total future lease payments	<u>\$ 90,301</u>

Total rental expense for the years ended May 31, 2022 and 2021 amounted to \$180,783 and \$178,712, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

10. Commitments and Contingencies

Self-Funded Health Insurance

- The Organization participates in a self-funded health insurance plan. The plan is managed by Scott Benefit Services with administrative services provided by Anthem Blue Cross and Blue Shield and stop loss reinsurance provided by QBE.
- The Plan year runs from October 1 – September 30.
- Financial projections are based on a blended analysis of historical claims experience and evaluation of manual claims. Due to the Organization's size and credibility of claims data, financial projections are 90% to 100% weighted toward projections based on actual paid claims experience.
- The Organization's self-funded health plan maintains an individual stop loss policy of \$75,000 and an aggregate stop loss policy of 125% of expected claims.
- There are no tax implications as all members of the captive are non-profit corporations.
- As of May 31, 2022 and 2021 the incurred liability was \$196,811 and \$209,263, respectively.

The Organization

The Organization, from time to time, is a party to various legal actions normally associated with life plan communities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial condition of the Organization.

11. Related Party Transactions

The nature of the relationship between Pinnacle Living, WindsorMeade, and HCRC is described in footnote 1, *Nature of Operations and Summary of Significant Accounting Policies*. According to the Accounting Standards Codification (ASC) 850-10-50-1 "disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required." All intercompany transactions between Pinnacle Living, WindsorMeade, and HCRC have been eliminated in the combined financial statements.

12. Fair Value of Financial Instruments

Professional standards require disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Professional standards exclude certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Organization.

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

NOTES TO COMBINED FINANCIAL STATEMENTS

12. Fair Value of Financial Instruments (Continued)

Cash and cash equivalents, accounts receivable, other receivables, accrued income receivable, beneficial interest in trusts, and notes payable

The carrying amount approximates fair value.

Investments

Fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Bonds payable

The fair values are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar bond financing and does not reflect market risk.

Organization's financial assets and liabilities as of May 31, 2022 and 2021:

	May 31, 2022		May 31, 2021 Restated	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	\$ 27,156,000	\$ 27,156,000	\$ 25,164,000	\$ 25,164,000
Accounts receivable	299,000	299,000	196,000	196,000
Other receivables	1,689,000	1,689,000	1,154,000	1,154,000
Accrued income receivable	118,000	118,000	102,000	102,000
Beneficial interest in trusts	19,740,000	19,740,000	23,404,000	23,404,000
Investments, without donor restrictions	63,308,000	63,308,000	60,651,000	60,651,000
Investment, with donor restrictions	5,868,000	5,868,000	6,382,000	6,382,000
Assets whose use is limited	37,602,000	37,602,000	43,117,000	43,117,000
Financial liabilities				
Bonds payable	164,927,000	158,057,000	146,417,000	164,288,000

NOTES TO COMBINED FINANCIAL STATEMENTS

13. Donor Restricted Funds

A donor may make a gift to Pinnacle Living without restrictions (i.e. unrestricted). However, Pinnacle Living also has ten donor restricted fund categories to which a donor may contribute. They are:

1. Angel Fund

Angel Fund gifts are a response to the desires of a community to give assistance to members of the community in crisis. Any resident, team member, contract team member, or volunteer of the community may make a request to nominate persons who are undergoing a crisis who might be a qualified recipient of assistance.

2. Community Enrichment Fund

Gifts restricted to community enrichment are to enhance the experience of living in the community for all residents. Use of such funds include community beautification such as landscape or garden plants, statuary and seating. The community may consider community enrichment recommendations from any donor, but in no event is the community bound in any way to honor the recommendation.

3. Flower Fund

Flower fund gifts are restricted to use in support of creation of chapel/vesper and common area flower arrangements which benefit the entire community. A donor may specify the gift as a tribute to honor or remember a loved one, expression of appreciation or recognition of a special occasion.

4. Library Fund

Gifts restricted to support community libraries enhance literary services through the provision of additional materials and services including magazine and newspaper subscriptions, acquisition of print and audio books, and organizational needs for the library setting.

5. Technology Fund

Gifts restricted to the technology fund provide resources to benefit communication, access to information and accessibility for all residents. Examples of projects and needs which can be funded by such gifts include audio/visual equipment, computer access, and speech, vision and memory enhancements.

6. Spiritual Life Fund

Gifts restricted to Spiritual Life in the community may include individual restricted contributions to enrich the spiritual life of residents. These funds may be used to enhance chapel/vesper services and facilities, provide resources for spiritual life programming, and to engage residents through special projects and service needs.

7. Resident Program Fund

Gifts restricted to resident activities support lifelong learning and engagement opportunities for residents, recognizing that activities and expectations vary by community. Use of the funds may include sponsorship of classes and workshops, provision of materials and supplies, purchase of fitness or entertainment equipment, and support of excursions.

NOTES TO COMBINED FINANCIAL STATEMENTS

13. Donor Restricted Funds (Continued)

8. Scholarship Fund

The Scholarship Fund is an educational enrichment program funded by contributions from generous donors committed to financially assisting selected team members who are pursuing a certification, degree, or taking continuing education courses to support and advance their career goals and who meet the eligibility requirements determined by community scholarship committees without regard to race, creed, or national origin using established application, rating and review processes. Awards are available to no more than ten percent (10%) of the eligible pool of applicants in any one year and are dependent upon availability of funds.

9. Pinnacle Heroes

The purpose of the Pinnacle Heroes program is to provide support for retention of team members during the COVID-19 outbreak.

10. Samaritan Program

The purpose of the Samaritan Program is to provide monies to defray the cost of providing services to persons in Pinnacle Living communities who are unable to provide such monies on their own behalf. Donors may temporarily restrict their gifts to a community. Such monies will be assigned to that community. Monies not temporarily restricted to a community shall be used to subsidize benevolent care in a community where the Samaritan Fund balance cannot meet the benevolent need. Contributions cannot be received for the benefit of a specific individual.

Pinnacle Living ending balance summaries as of May 31, 2022 for all restricted funds is as follows:

	Corporate		Hermitage Northern Virginia		Hermitage Richmond	
Angel Fund	\$	-	\$	1,250	\$	7,708
Community Enrichment Fund		-		1,365		-
Flower Fund		-		-		-
Library Funds		-		-		-
Technology Fund		-		-		-
Spiritual Life Fund		-		489		1,361
Resident Program Fund		-		-		356
Pinnacle Hero		-		1,150		10,853
Scholarship Fund		-		-		-
Samaritan Program		161,377		265,374		681,964
Total Restricted Funds	\$	161,377	\$	269,628	\$	702,242

	Hermitage Roanoke		Cedarfield		Pinnacle Living Total	
Angel Fund	\$	-	\$	63,640	\$	72,598
Community Enrichment Fund		7,150		43,915		52,430
Flower Fund		150		2,990		3,140
Library Funds		-		1,358		1,358
Technology Fund		-		735		735
Spiritual Life Fund		1,150		20,657		23,657
Resident Program Fund		-		8,769		9,125
Pinnacle Hero		2,075		-		14,078
Scholarship Fund		-		123,875		123,875
Samaritan Program		-		1,746,228		2,854,943
Total Restricted Funds	\$	10,525	\$	2,012,167	\$	3,155,939

NOTES TO COMBINED FINANCIAL STATEMENTS

13. Donor Restricted Funds (Continued)

Pinnacle Living ending balance summaries as of May 31, 2021 restated for all restricted funds is as follows:

	Corporate		Hermitage Northern Virginia		Hermitage Richmond	
Angel Fund	\$	-	\$	1,250	\$	7,778
Community Enrichment Fund		-		365		-
Flower Fund		-		-		-
Library Funds		-		-		-
Technology Fund		-		-		-
Spiritual Life Fund		-		489		1,481
Resident Program Fund		-		-		50
Pinnacle Hero		-		1,150		3,257
Scholarship Fund		-		-		10,750
Samaritan Program		24,843		303,098		1,455,132
Total Restricted Funds	\$	24,843	\$	306,352	\$	1,478,448

	Hermitage Roanoke		Cedarfield		Pinnacle Living Total	
Angel Fund	\$	-	\$	52,766	\$	61,794
Community Enrichment Fund		10,740		6,568		17,673
Flower Fund		150		3,842		3,992
Library Funds		-		1,430		1,430
Technology Fund		-		4,204		4,204
Spiritual Life Fund		250		2,106		4,326
Resident Program Fund		-		3,257		3,307
Pinnacle Hero		2,075		688		7,170
Scholarship Fund		-		63,668		74,418
Samaritan Program		-		1,513,809		3,296,882
Total Restricted Funds	\$	13,215	\$	1,652,338	\$	3,475,196

NOTES TO COMBINED FINANCIAL STATEMENTS

13. Donor Restricted Funds (Continued)

WindsorMeade ending balance summaries as of May 31, 2022 and 2021 for all restricted funds is as follows:

	2022		2021	
	WindsorMeade		WindsorMeade Restated	
Angel Fund	\$	19,924	\$	17,764
Community Enrichment Fund		30,650		150
Flower Fund		-		-
Library Funds		-		-
Technology Fund		-		-
Spiritual Life Fund		-		-
Resident Program Fund		1,247		-
Pinnacle Hero		-		-
Scholarship Fund		46,497		38,517
Samaritan Program		70,973	\$	38,095
Total Restricted Funds	\$	169,291		94,526

The Hermitage Capital and Reserve Fund did not have any donor restricted funds for fiscal 2022 or 2021.

NOTES TO COMBINED FINANCIAL STATEMENTS

14. Endowment (Samaritan) Program

In August 2008, the Financial Accounting Standards Board issued authoritative guidance regarding “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds”. The authoritative guidance provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The authoritative guidance also required additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Commonwealth of Virginia enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. Management has determined that a portion of the Organization’s net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

Donor-designated endowments (UPMIFA state)

The Organization’s endowment consists of one fund established to partially defray the cost of administering care to those persons who are otherwise unable to provide such monies on their own behalf (also called the Samaritan Program).

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (perpetual in nature) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (perpetual in nature) is classified as net assets with donor restrictions (purpose restricted), including investment income and realized and unrealized gains/losses, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

NOTES TO COMBINED FINANCIAL STATEMENTS

14. Endowment (Samaritan) Program (Continued)

Investment return objectives, risk parameters, and strategies

The Organization's investment philosophy is to obtain, over a period of years, a satisfactory level of current investment income and a reasonable increase in the value of the principal through market appreciation consistent with the preservation of the principal. In measuring the performance of the funds to the capital markets, the goal is to generate an annualized return of 30 basis points over a composite benchmark weighted twenty-five percent (25%) to the S&P 500 Common Stock Index and seventy-five percent (75%) to the Barclays Capital Aggregate Bond Index, at a risk level within one hundred twenty percent (120%) of the composite benchmark, over each three-to-five-year period. Performance is measured relative to peers by ensuring the invested funds are within the top-half of a blended universe weighted twenty-five percent (25%) equity funds and seventy-five percent (75%) fixed income funds over each three-to-five year period.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization's spending policy for endowment assets is based on a "total return" approach. Using this approach, the Organization will spend an amount based on needs of the Samaritan Program. As such, income and capital gains, realized or unrealized, will not have an effect on the spending policy, given the Organization maintains the standard of prudence prescribed by UPMIFA. Additional spending needs beyond the scope of the spending policy require approval by the Board of Directors. The spending policy is consistent with the Organization's objective to preserve and enhance the real value of the endowment through new gifts and investment return.

The assets of the Endowment (Samaritan) Program are included in the accompanying combined balance sheets as follows:

		May 31 Pinnacle Living		
		2022		2021 Restated
Cash and cash equivalents	\$	70,973	\$	38,905
Investments		5,828,881		6,270,820
Beneficial interest in trusts		509,719		529,389
Total	\$	6,409,573	\$	6,839,114

Endowment (Samaritan) net asset composition by type of fund as of May 31, 2022 and 2021 are as follows:

		May 31 Pinnacle Living Endowment Perpetual in Nature Restrictions		
		2022		2021 Restated
Donor-restricted endowment fund	\$	6,409,573	\$	6,839,114

NOTES TO COMBINED FINANCIAL STATEMENTS

14. Endowment (Samaritan) Program (Continued)

WindsorMeade and the Hermitage Capital and Reserve Corporation do not have Perpetual in Nature Restrictions for 2022 or 2021.

Changes in endowment (Samaritan) net assets as of May 31, 2022 and 2021 are as follows:

May 31, 2022				
Pinnacle Living				
	With Donor Restrictions			
	Purpose Restricted		Perpetual in Nature	Total
Balance as of June 1, 2021	\$ 3,296,882		3,503,327	6,800,209
Contributions	282,082	\$	-	\$ 282,082
Present value change in beneficial interest in trusts	-		(19,670)	(19,670)
Net investment activity	(385,884)		-	(385,884)
Benevolent care	(338,137)		-	(338,137)
Balance as of May 31, 2022	\$ 2,854,943	\$	3,483,657	\$ 6,338,600

May 31, 2022				
WindsorMeade				
	With Donor Restrictions			
	Purpose Restricted		Perpetual in Nature	Total
Balance as of June 1, 2021	\$ 38,905	\$	-	\$ 38,905
Contributions	32,878		-	32,878
Balance as of May 31, 2022	\$ 70,973	\$	-	\$ 70,973

May 31, 2021, Restated				
Pinnacle Living				
	With Donor Restrictions			
	Purpose Restricted		Perpetual in Nature	Total
Balance as of June 1, 2020	\$ 2,925,386	\$	3,188,642	\$ 6,114,028
Contributions	832,751		-	832,751
Present value change in beneficial interest in trusts	-		314,685	314,685
Net investment activity	(6,386)		-	(6,386)
Benevolent care	(454,869)		-	(454,869)
Balance as of May 31, 2021	\$ 3,296,882	\$	3,503,327	\$ 6,800,209

May 31, 2021				
WindsorMeade				
	With Donor Restrictions			
	Purpose Restricted		Perpetual in Nature	Total
Balance as of June 1, 2020	\$ 26,515	\$	-	\$ 26,515
Contributions	11,580		-	11,580
Balance as of May 31, 2021	\$ 38,905	\$	-	\$ 38,905

NOTES TO COMBINED FINANCIAL STATEMENTS

15. Contract Assets and Liabilities

The Organization does not have material contract assets. Contract liabilities relate to cash received from residents in connection with contracts for which revenue is recognized over time. Changes in the Organization's contract liabilities, which are included in refundable fees and deferred revenue, entrance fees on the combined balance sheets are as follows:

	Refundable Fees	Deferred Revenue, Entrance Fees	Total
Balance at May 31, 2020	\$ 53,390,880	\$ 87,486,457	\$ 140,877,337
Increases due to cash received	3,817,882	25,244,243	29,062,125
Decreases due to recognition of revenue	-	(13,490,321)	(13,490,321)
Refunds paid	(7,116,213)	(764,783)	(7,880,996)
Previous year deferrals of entrance fees	435,970	435,970	871,940
Entrance fee net transfers to resident refund payable	1,068,554	-	1,068,554
Other	60,925	(132,163)	(71,238)
Balance at May 31, 2021	\$ 51,657,998	\$ 98,779,403	\$ 150,437,401
Increases due to cash received	4,809,817	15,798,644	20,608,461
Decreases due to recognition of revenue	-	(13,062,906)	(13,062,906)
Refunds paid	(6,786,540)	(468,399)	(7,254,939)
Current year deferrals of entrance fees	192,395	583,980	776,375
Entrance Fee net transfers to resident refund payables	1,700,016	(231,307)	1,468,709
Transfers between accounts	305,431	(305,431)	
Other	41,318	-	41,318
Balance at May 31, 2022	\$ 51,920,435	\$ 101,093,984	\$ 153,014,419

NOTES TO COMBINED FINANCIAL STATEMENTS

16. Liquidity

Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year

May 31, 2022

	Pinnacle Living	WindsorMeade	HCRC	Eliminations	Total
Total current assets	\$ 20,504,255	\$ 18,258,046	\$ 389,598	\$ (738,482)	\$ 38,413,417
Less those unavailable for general expenditures within one year for:					
Donor imposed restrictions	(261,942)	(169,291)	-	-	(431,233)
Assets whose use is limited	(7,769,232)	(703,055)	-	-	(8,472,287)
Non-financial assets	(233,433)	(50,112)	-	-	(283,545)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,239,648	\$ 17,335,588	\$ 389,598	\$ (738,482)	\$ 29,226,352

Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year

May 31, 2021 Restated

	Pinnacle Living	WindsorMeade	HCRC	Eliminations	Total
Total current assets	\$ 20,185,880	\$ 15,957,714	\$ 535,625	\$ (97,885)	\$ 36,581,334
Less those unavailable for general expenditures within one year for:					
Donor imposed restrictions	(67,123)	(94,526)	-	-	(161,649)
Assets whose use is limited	(7,014,600)	(2,215,119)	-	-	(9,229,719)
Non-financial assets	(281,498)	(41,162)	-	-	(322,660)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,822,659	\$ 13,606,907	\$ 535,625	\$ (97,885)	\$ 26,867,306

NOTES TO COMBINED FINANCIAL STATEMENTS

16. Liquidity (Continued)

Pinnacle Living has \$12,239,648 and \$12,822,659 of financial assets available within one year as of May 31, 2022, and 2021, respectively for general expenditures consisting of the following:

Pinnacle Living				
		May 31, 2022		May 31, 2021 Restated
Cash and cash equivalents	\$	10,071,918	\$	11,731,929
Accounts receivable due from residents		193,479		196,206
Accounts receivable, other		721,843		282,510
Accrued income receivable		117,576		101,705
Due from affiliate		738,482		97,885
Other assets		396,350		412,424
Total	\$	12,239,648	\$	12,822,659

Pinnacle Living structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of Pinnacle Living's investment policy, it invests excess cash and investments as outlined in Footnotes three and four.

WindsorMeade has \$17,335,588 and \$13,606,907 of financial assets available within one year as of May 31, 2022, and 2021, respectively for general expenditures consisting of the following:

WindsorMeade				
		May 31, 2022		May 31, 2021
Cash and cash equivalents	\$	16,262,930	\$	12,734,967
Accounts receivable due from residents		105,568		-
Accounts receivable, other		967,090		871,940
Total	\$	17,335,588	\$	13,606,907

WindsorMeade structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Hermitage capital and reserve corporation has \$389,598 and \$535,625 of financial assets available within one year as of May 31, 2022, and 2021, respectively for general expenditures consisting of cash and cash equivalents.

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17. Functional Expenses

Operating expenses for Pinnacle Living and WindsorMeade as of fiscal 2022 and fiscal 2021 are classified by function on the next pages.

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2022					
Pinnacle Living					
	Program Services	Management & General	Fundraising	Total	
Salaries	\$ 24,585,993	\$ 4,803,499	\$ 204,900	\$ 29,594,392	
Defined contribution plan contributions	1,428,926	39,888	13,734	1,482,548	
Employee benefits	2,305,206	345,714	-	2,650,920	
Payroll taxes	1,939,660	278,283	17,062	2,235,005	
Total salaries and related expenses	30,259,785	5,467,384	235,696	35,962,865	
Advertising	1,048,104	-	329	1,048,433	
Conferences and education	35,120	54,119	3,104	92,343	
Consultant services	918,991	793,455	-	1,712,446	
Contract services	3,723,939	305,956	-	4,029,895	
Depreciation	7,354,013	-	-	7,354,013	
Designated funds	79,521	-	-	79,521	
Dietary - food costs	3,316,219	6,249	-	3,322,468	
Dietary - non-edible	452,255	-	-	452,255	
Dues and subscriptions	24,901	69,896	125	94,922	
Information technology	1,282,350	-	-	1,282,350	
Insurance	1,071,419	66,709	-	1,138,128	
Licenses and fees	15,408	16,428	-	31,836	
Maintenance and repair	1,464,893	14,507	-	1,479,400	
Medical services	193,646	-	-	193,646	
Medical supplies	150,046	439	-	150,485	
Minor equipment	198,023	12,222	-	210,245	
Miscellaneous	260,651	22,680	-	283,331	
Person centered initiative	6,284	762	-	7,046	
Postage and shipping	2,741	30,880	-	33,621	
Recruitment and retention	129,700	449,564	-	579,264	
Rent	16,375	161,225	-	177,600	
Residence renovations	385,401	-	-	385,401	
Resident services	244,467	38	-	244,505	
Supplies	460,711	58,635	977	520,323	
Taxes	19,304	-	-	19,304	
Travel, meals and lodging	9,446	53,243	1,471	64,160	
Utility costs	3,091,191	-	-	3,091,191	
Total operating expenses	\$ 56,214,904	\$ 7,584,391	\$ 241,702	\$ 64,040,997	

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2022					
WindsorMeade					
	Program Services	Management & General	Fundraising	Total	
Salaries	\$ 5,980,492	\$ 462,208	\$ -	\$ 6,442,700	
Defined contribution plan contributions	297,399	32,453	-	329,852	
Employee benefits	628,588	27,651	-	656,239	
Payroll taxes	463,295	33,773	-	497,068	
Total salaries and related expenses	7,369,774	556,085	-	7,925,859	
Advertising	172,403	-	-	172,403	
Conferences and education	13,138	21,797	-	34,935	
Consultant services	87,814	289,720	-	377,534	
Contract services	859,792	1,576,924	-	2,436,716	
Depreciation	3,836,196	-	-	3,836,196	
Designated funds	3,120	-	-	3,120	
Dietary - food costs	952,298	14,171	-	966,469	
Dietary - non-edible	105,369	-	-	105,369	
Dues and subscriptions	11,370	29,102	-	40,472	
Information technology	174,766	-	-	174,766	
Insurance	243,536	20,600	-	264,136	
Licenses and fees	3,155	1,720	-	4,875	
Maintenance and repair	522,532	12,830	-	535,362	
Medical services	402,891	-	-	402,891	
Medical supplies	2,394	-	-	2,394	
Minor equipment	86,939	1,856	-	88,795	
Miscellaneous	32,054	9,440	-	41,494	
Person centered initiative	-	-	-	-	
Postage and shipping	1,295	12,429	-	13,724	
Recruitment and retention	55,037	120,514	-	175,551	
Rent	3,183	-	-	3,183	
Residence renovations	24,471	-	-	24,471	
Resident services	97,967	-	-	97,967	
Supplies	143,303	12,429	-	155,732	
Taxes	689,544	508	-	690,052	
Travel, meals and lodging	6,414	4,137	-	10,551	
Utility costs	837,542	-	-	837,542	
Total operating expenses	\$ 16,738,297	\$ 2,684,262	\$ -	\$ 19,422,559	

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2022

Hermitage Capital and Reserve Corporation							
	Program Services		Management & General		Fundraising		Total
Salaries	\$ -		\$ -		\$ -		\$ -
Defined contribution plan contributions	-		-		-		-
Employee benefits	-		-		-		-
Payroll taxes	-		-		-		-
Total salaries and related expenses	-		-		-		-
Advertising	-		-		-		-
Conferences and education	-		-		-		-
Consultant services	-		-		-		-
Contract services	-		-		-		-
Depreciation	-		-		-		-
Designated funds	-		-		-		-
Dietary - food costs	-		-		-		-
Dietary - non-edible	-		-		-		-
Dues and subscriptions	-		-		-		-
Information technology	-		-		-		-
Insurance	-		-		-		-
Licenses and fees	-		-		-		-
Maintenance and repair	-		-		-		-
Medical services	-		-		-		-
Medical supplies	-		-		-		-
Minor equipment	-		-		-		-
Miscellaneous	-		-		-		-
Person centered initiative	-		-		-		-
Postage and shipping	-		-		-		-
Recruitment and retention	-		-		-		-
Rent	-		-		-		-
Residence renovations	-		-		-		-
Resident services	-		-		-		-
Supplies	-		-		-		-
Taxes	-		-		-		-
Travel, meals and lodging	-		-		-		-
Utility costs	-		-		-		-
Total operating expenses	\$ -		\$ -		\$ -		\$ -

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2022

	Eliminations	Combined Total
Salaries	\$ -	\$ 36,037,092
Defined contribution plan contributions	-	1,812,400
Employee benefits	-	3,307,159
Payroll taxes	-	2,732,073
Total salaries and related expenses	-	43,888,724
Advertising	-	1,220,836
Conferences and education	-	127,278
Consultant services	-	2,089,980
Contract services	(1,484,214)	4,982,397
Depreciation	-	11,190,209
Designated funds	-	82,641
Dietary - food costs	-	4,288,937
Dietary - non-edible	-	557,624
Dues and subscriptions	-	135,394
Information technology	-	1,457,116
Insurance	-	1,402,264
Licenses and fees	-	36,711
Maintenance and repair	-	2,014,762
Medical services	-	596,537
Medical supplies	-	152,879
Minor equipment	-	299,040
Miscellaneous	-	324,825
Person centered initiative	-	7,046
Postage and shipping	-	47,345
Recruitment and retention	-	754,815
Rent	-	180,783
Residence renovations	-	409,872
Resident services	-	342,472
Supplies	-	676,055
Taxes	-	709,356
Travel, meals and lodging	-	74,711
Utility costs	-	3,928,733
Total operating expenses	\$ (1,484,214)	\$ 81,979,342

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2021 Restated

Pinnacle Living					
	Program Services	Management & General	Fundraising	Total	
Salaries	\$ 23,979,535	\$ 4,113,169	\$ 196,350	\$	28,289,054
Defined contribution plan contributions	1,339,438	312,463	11,181		1,663,082
Employee benefits	2,448,740	268,563	-		2,717,303
Payroll taxes	1,786,955	252,871	14,929		2,054,755
Total salaries and related expenses	29,554,668	4,947,066	222,460		34,724,194
Advertising	1,143,469	-	1,075		1,144,544
Conferences and education	39,539	58,723	2,973		101,235
Consultant services	741,907	876,344	19,197		1,637,448
Contract services	2,697,480	165,304	-		2,862,784
Depreciation	7,128,991	-	-		7,128,991
Designated funds	76,595	-	-		76,595
Dietary - food costs	3,000,391	3,634	-		3,004,025
Dietary - non-edible	283,350	-	-		283,350
Dues and subscriptions	39,837	70,964	-		110,801
Information technology	1,135,740	-	-		1,135,740
Insurance	967,605	50,890	-		1,018,495
Licenses and fees	18,860	17,105	-		35,965
Maintenance and repair	1,342,662	12,445	-		1,355,107
Medical services	187,109	-	-		187,109
Medical supplies	122,069	-	-		122,069
Minor equipment	142,823	6,154	-		148,977
Miscellaneous	1,028,038	10,265	-		1,038,303
Person centered initiative	7,685	2,876	-		10,561
Postage and shipping	4,162	37,170	-		41,332
Recruitment and retention	125,610	136,729	-		262,339
Rent	15,672	160,951	-		176,623
Residence renovations	301,979	-	-		301,979
Resident services	184,562	95	-		184,657
Supplies	486,838	59,350	1,031		547,219
Taxes	23,854	-	-		23,854
Travel, meals and lodging	5,980	18,538	4,237		28,755
Utility costs	2,975,856	-	-		2,975,856
Total operating expenses	\$ 53,783,331	\$ 6,634,603	\$ 250,973	\$	60,668,907

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2021 Restated

WindsorMeade					
	Program Services	Management & General	Fundraising	Total	
Salaries	\$ 5,371,776	\$ 531,803	\$ -	\$ 5,903,579	
Defined contribution plan contributions	251,652	32,392	-	284,044	
Employee benefits	612,747	30,358	-	643,105	
Payroll taxes	389,040	35,689	-	424,729	
Total salaries and related expenses	6,625,215	630,242	-	7,255,457	
Advertising	263,333	-	-	263,333	
Conferences and education	7,699	10,534	-	18,233	
Consultant services	64,334	74,529	-	138,863	
Contract services	842,806	695,566	-	1,538,372	
Depreciation	3,721,840	-	-	3,721,840	
Designated funds	6,605	-	-	6,605	
Dietary - food costs	877,305	-	-	877,305	
Dietary - non-edible	42,637	-	-	42,637	
Dues and subscriptions	8,946	23,988	-	32,934	
Information technology	177,574	-	-	177,574	
Insurance	230,659	14,890	-	245,549	
Licenses and fees	3,768	2,606	-	6,374	
Maintenance and repair	525,321	14,559	-	539,880	
Medical services	445,466	-	-	445,466	
Medical supplies	3,470	-	-	3,470	
Minor equipment	46,609	-	-	46,609	
Miscellaneous	448,637	3,841	-	452,478	
Person centered initiative	-	-	-	-	
Postage and shipping	446	14,692	-	15,138	
Recruitment and retention	16,017	35,953	-	51,970	
Rent	2,089	-	-	2,089	
Residence renovations	48,286	-	-	48,286	
Resident services	42,821	-	-	42,821	
Supplies	136,030	12,682	-	148,712	
Taxes	681,724	-	-	681,724	
Travel, meals and lodging	847	413	-	1,260	
Utility costs	700,728	-	-	700,728	
Total operating expenses	\$ 15,971,212	\$ 1,534,495	\$ -	\$ 17,505,707	

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2021

Hermitage Capital and Reserve Corporation							
	Program Services		Management & General		Fundraising		Total
Salaries	\$ -		\$ -		\$ -		\$ -
Defined contribution plan contributions	-		-		-		-
Employee benefits	-		-		-		-
Payroll taxes	-		-		-		-
Total salaries and related expenses	-		-		-		-
Advertising	-		-		-		-
Conferences and education	-		-		-		-
Consultant services	-		-		-		-
Contract services	-		-		-		-
Depreciation	-		-		-		-
Designated funds	-		-		-		-
Dietary - food costs	-		-		-		-
Dietary - non-edible	-		-		-		-
Dues and subscriptions	-		-		-		-
Information technology	-		-		-		-
Insurance	705		-		-		705
Licenses and fees	-		-		-		-
Maintenance and repair	-		-		-		-
Medical services	-		-		-		-
Medical supplies	-		-		-		-
Minor equipment	-		-		-		-
Miscellaneous	-		-		-		-
Person centered initiative	-		-		-		-
Postage and shipping	-		-		-		-
Recruitment and retention	-		-		-		-
Rent	-		-		-		-
Residence renovations	-		-		-		-
Resident services	-		-		-		-
Supplies	-		-		-		-
Taxes	-		-		-		-
Travel, meals and lodging	-		-		-		-
Utility costs	-		-		-		-
Total operating expenses	\$ 705		\$ -		\$ -		\$ 705

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2021 Restated

	Eliminations	Combined Total
Salaries	\$ -	\$ 34,192,633
Defined contribution plan contributions	-	1,947,126
Employee benefits	-	3,360,408
Payroll taxes	-	2,479,484
Total salaries and related expenses	-	41,979,651
Advertising	-	1,407,877
Conferences and education	-	119,468
Consultant services	-	1,776,311
Contract services	(663,368)	3,737,788
Depreciation	-	10,850,831
Designated funds	-	83,200
Dietary - food costs	-	3,881,330
Dietary - non-edible	-	325,987
Dues and subscriptions	-	143,735
Information technology	-	1,313,314
Insurance	-	1,264,749
Licenses and fees	-	42,339
Maintenance and repair	-	1,894,987
Medical services	-	632,575
Medical supplies	-	125,539
Minor equipment	-	195,586
Miscellaneous	-	1,490,781
Person centered initiative	-	10,561
Postage and shipping	-	56,470
Recruitment and retention	-	314,309
Rent	-	178,712
Residence renovations	-	350,265
Resident services	-	227,478
Supplies	-	695,931
Taxes	-	705,578
Travel, meals and lodging	-	30,015
Utility costs	-	3,676,584
Total operating expenses	\$ (663,368)	\$ 77,511,951

NOTES TO COMBINED FINANCIAL STATEMENTS

18. COVID-19 / Payroll Protection Loan

Payroll Protection Loan:

On January 30, 2020 the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. To date, the Organization is experiencing additional costs in resident care, dining, staffing and loss of revenue from delayed move-ins.

In response to the Coronavirus pandemic, Congress established the Paycheck Protection Program (the PPP) to provide relief to qualifying organizations during the Coronavirus pandemic as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the SBA’s 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying organizations can spend to cover payroll, mortgage interest, rent, and utilities. In fiscal 2020 WindsorMeade applied for and received a PPP loan in the amount of \$1,142,900. This loan was forgiven in fiscal 2021.

In the spring of 2021, another \$1.9 trillion stimulus package was passed that expanded eligibility for larger 501(c)(3) organizations that employ more than 500 employees in aggregate but less than 500 employees per physical location. This new stimulus package allowed Pinnacle Living to apply and receive \$4,587,820 in payroll protection funds. Forgiveness on this loan was applied to and received by the Small Business Administration in the first quarter of fiscal 2023.

The loan balance for Pinnacle Living is included in bonds payable on the combined balance sheet at May 31, 2022.

Health & Human Services (“HHS”) Funding:

Pinnacle Living received \$881,102 in HHS assisted living funding in fiscal 2022. WindsorMeade received \$291,956 for skilled nursing funding in fiscal 2021.

Commonwealth of Virginia:

In fiscal 2021, Pinnacle Living and WindsorMeade received \$679,179 and \$101,480, respectively.

Federal Emergency Management Agency (“FEMA”) Funding:

Pinnacle Living and WindsorMeade have booked a receivable in fiscal 2022 for expected funds to be received from the Federal Emergency Management Agency (“FEMA”) for \$565,077 and \$190,715, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

19. Prior Year Restatement and Reclassification

Prior Year Restatement

In fiscal 2022, Management determined Pinnacle Living's net assets have been overstated. The overstatement reflects "Property and equipment, net" and "Investments in affiliate – HCRC". The former is due to the recording of capitalized interest primarily in fiscal 2020. Capitalized interest was calculated on assets that were placed in service. The affect is a reduction to net assets and property and equipment. The latter is due to a change in how transfers to/from Pinnacle Living and WindsorMeade and recorded to the Hermitage Capital and Reserve Corporation. Any transfers recorded from Pinnacle Living to the HCRC have been recorded as an "Investment in Affiliate – HCRC". Instead, transfers should be recorded as an expense or contribution in the year the transfer was made. Therefore, Pinnacle Living will reduce its Investment in Affiliate and net assets.

The combined effect of the restatements reduced the fiscal 2021 beginning net assets \$1.4M and the fiscal 2021 net assets by \$163K.

Neither of these restatements would have reflected any covenant violation.

Prior Year Reclassification

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

20. Subsequent Events

Beginning November 1, 2022, Pinnacle Living will move its corporate office to 120 Eastshore Drive, Suite 130, Glen Allen, VA 23059. The lease carries through March 2028.

Cash lease payments on the new office per fiscal year are as follows:

Fiscal 2023	\$ 18,699
Fiscal 2024	114,157
Fiscal 2025	117,580
Fiscal 2026	121,100
Fiscal 2027	124,747
Fiscal 2028	<u>106,808</u>
Total	<u>\$603,092</u>

On August 1, 2022, Pinnacle Living sold Hermitage Northern Virginia to The View at Goodwin Living, LLC for \$24,609,000. The estimated gain on the sale of property will be approximately \$17.4M.

Management has evaluated subsequent events through September 28, the date which the financial statements were available for issue.



INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY AND OTHER INFORMATION

Board of Directors
Pinnacle Living
Richmond, Virginia

Supplementary Information

We have audited the combined financial statements of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation as of and for the year ended May 31, 2022 and have issued our report thereon dated September 28, 2022, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The combining balance sheet as of May 31, 2022, the combining statement of activities and the combining statement of cash flows for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The combined financial statements of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation as of May 31, 2021 were audited by Mitchell, Wiggins & Company, LLP who were acquired by Brown, Edwards & Company, L.L.P. effective November 1, 2021. Their report on the supplementary information dated September 14, 2021 stated that the supplementary information was fairly stated in all material respects in relation to the financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises combining balance sheets by community as of May 31, 2022 and 2021, combining statements of activities by community for the years ended May 31, 2022 and 2021, and summary of financial information (unaudited) included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia
September 28, 2022

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING BALANCE SHEET MAY 31, 2022

	Pinnacle Living		WindsorMeade		Hermitage Capital & Reserve Corporation					
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Sub-Total	Eliminations	Total	
ASSETS										
Current Assets										
Cash and cash equivalents	\$ 10,071,918	\$ -	\$ 16,262,930	\$ -	\$ 389,598	\$ -	\$ 26,724,446	\$ -	\$ 26,724,446	
Cash and cash equivalents, with donor restrictions	-	261,942	-	169,291	-	-	431,233	-	431,233	
Total cash and cash equivalents	10,071,918	261,942	16,262,930	169,291	389,598	-	27,155,679	-	27,155,679	
Accounts receivable, residents, less allowance for uncollectible accounts \$1,494,811	193,479	-	105,568	-	-	-	299,047	-	299,047	
Accounts receivable, other	721,843	-	967,090	-	-	-	1,688,933	-	1,688,933	
Prepaid expenses	233,433	-	50,112	-	-	-	283,545	-	283,545	
Accrued income receivable	117,576	-	-	-	-	-	117,576	-	117,576	
Due from affiliate	738,482	-	-	-	-	-	738,482	(738,482)	-	
Assets whose use is limited	7,769,232	-	703,055	-	-	-	8,472,287	-	8,472,287	
Other assets	396,350	-	-	-	-	-	396,350	-	396,350	
Total current assets	20,242,313	261,942	18,088,755	169,291	389,598	-	39,151,899	(738,482)	38,413,417	
Beneficial interest in trusts, with donor restrictions	-	19,739,753	-	-	-	-	19,739,753	-	19,739,753	
Investments	47,460,825	-	-	-	15,847,481	-	63,308,306	-	63,308,306	
Investments, with donor restrictions	-	5,867,935	-	-	-	-	5,867,935	-	5,867,935	
Investment in Senior Living Partners of Virginia	-	-	-	-	236,137	-	236,137	-	236,137	
Assets whose use is limited	23,424,666	-	5,704,555	-	-	-	29,129,221	-	29,129,221	
Other assets	347,633	-	1,755,900	-	-	-	2,103,533	-	2,103,533	
Property and equipment, net	136,542,808	-	88,202,877	-	145,692	-	224,891,377	-	224,891,377	
Total assets	\$ 228,018,245	\$ 25,869,630	\$ 113,752,087	\$ 169,291	\$ 16,618,908	\$ -	\$ 384,428,161	\$ (738,482)	\$ 383,689,679	
LIABILITIES AND NET ASSETS										
Liabilities										
Current liabilities										
Accounts payable	\$ 2,254,084	\$ -	\$ 340,168	\$ -	\$ -	\$ -	\$ 2,594,252	\$ -	\$ 2,594,252	
Resident refunds payable	3,072	-	6,600	-	-	-	9,672	-	9,672	
Accrued expenses	7,170,201	-	2,109,317	-	-	-	9,279,518	-	9,279,518	
Deposits, prospective residents	370,245	-	77,637	-	-	-	447,882	-	447,882	
Due to affiliate	-	-	738,482	-	-	-	738,482	(738,482)	-	
Bonds payable	2,160,000	-	1,570,000	-	-	-	3,730,000	-	3,730,000	
Other liabilities	1,420,578	-	-	-	-	-	1,420,578	-	1,420,578	
Total current liabilities	13,378,180	-	4,842,204	-	-	-	18,220,384	(738,482)	17,481,902	
Resident refunds payable	231,018	-	4,907,243	-	-	-	5,138,261	-	5,138,261	
Deposits, prospective residents	599,000	-	165,000	-	-	-	764,000	-	764,000	
Bonds payable, net of OID \$2,889,347 and bond issuance costs \$3,185,223	104,219,383	-	56,977,561	-	-	-	161,196,944	-	161,196,944	
Deferred revenue, entrance fees	77,024,021	-	24,069,963	-	-	-	101,093,984	-	101,093,984	
Refundable fees	2,774,895	-	49,145,540	-	-	-	51,920,435	-	51,920,435	
Other liabilities	337,833	-	55,110	-	-	-	392,943	-	392,943	
Total liabilities	198,564,330	-	140,162,621	-	-	-	338,726,951	(738,482)	337,988,469	
Net Assets										
Without donor restrictions										
Undesignated	24,291,039	-	(26,410,534)	-	16,618,908	-	14,499,413	-	14,499,413	
With board designations	5,162,876	-	-	-	-	-	5,162,876	-	5,162,876	
With donor restrictions										
Purpose restricted for Samaritan Program	-	2,854,943	-	70,973	-	-	2,925,916	-	2,925,916	
Purpose restricted for all other programs	-	300,996	-	98,318	-	-	399,314	-	399,314	
Perpetual in nature - investments	-	2,973,938	-	-	-	-	2,973,938	-	2,973,938	
Perpetual in nature - beneficial interest in trusts	-	19,739,753	-	-	-	-	19,739,753	-	19,739,753	
Total net assets	29,453,915	25,869,630	(26,410,534)	169,291	16,618,908	-	45,701,210	-	45,701,210	
Total liabilities and net assets	\$ 228,018,245	\$ 25,869,630	\$ 113,752,087	\$ 169,291	\$ 16,618,908	\$ -	\$ 384,428,161	\$ (738,482)	\$ 383,689,679	

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING BALANCE SHEET MAY 31, 2021 Restated

Hermitage Capital & Reserve Corporation

	Pinnacle Living		WindsorMeade		Hermitage Capital & Reserve Corporation				
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Sub-Total	Eliminations	Total
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 11,731,929	\$ -	\$ 12,734,967	\$ -	\$ 535,625	\$ -	\$ 25,002,521	\$ -	\$ 25,002,521
Cash and cash equivalents, with donor restrictions	-	67,123	-	94,526	-	-	161,649	-	161,649
Total cash and cash equivalents	11,731,929	67,123	12,734,967	94,526	535,625	-	25,164,170	-	25,164,170
Accounts receivable, residents, less allowance for uncollectible accounts \$2,799,260	196,206	-	-	-	-	-	196,206	-	196,206
Accounts receivable, other	282,510	-	871,940	-	-	-	1,154,450	-	1,154,450
Prepaid expenses	281,498	-	41,162	-	-	-	322,660	-	322,660
Accrued income receivable	101,705	-	-	-	-	-	101,705	-	101,705
Due from affiliate	97,885	-	-	-	-	-	97,885	(97,885)	-
Assets whose use is limited	7,014,600	-	2,215,119	-	-	-	9,229,719	-	9,229,719
Other assets	412,424	-	-	-	-	-	412,424	-	412,424
Total current assets	20,118,757	67,123	15,863,188	94,526	535,625	-	36,679,219	(97,885)	36,581,334
Beneficial interest in trusts, with donor restrictions	-	23,404,338	-	-	-	-	23,404,338	-	23,404,338
Due from affiliate - WindsorMeade	7,980,000	-	-	-	-	-	7,980,000	(7,980,000)	-
Investments	42,642,891	-	-	-	18,008,161	-	60,651,052	-	60,651,052
Investments, with donor restrictions	-	6,382,011	-	-	-	-	6,382,011	-	6,382,011
Investment in Senior Living Partners of Virginia	-	-	-	-	359,000	-	359,000	-	359,000
Assets whose use is limited	30,023,588	-	3,863,308	-	-	-	33,886,896	-	33,886,896
Other assets	424,356	-	41,151	-	-	-	465,507	-	465,507
Property and equipment, net	131,561,408	-	89,855,980	-	145,692	-	221,563,080	-	221,563,080
Total assets	\$ 232,751,000	\$ 29,853,472	\$ 109,623,627	\$ 94,526	\$ 19,048,478	\$ -	\$ 391,371,103	\$ (8,077,885)	\$ 383,293,218
LIABILITIES AND NET ASSETS									
Liabilities									
Current liabilities									
Accounts payable	\$ 2,114,552	\$ -	\$ 600,561	\$ -	\$ -	\$ -	\$ 2,715,113	\$ -	\$ 2,715,113
Accrued expenses	6,687,220	-	2,078,175	-	-	-	8,765,395	-	8,765,395
Deposits, prospective residents	388,233	-	240,234	-	-	-	628,467	-	628,467
Due to affiliate	-	-	97,885	-	-	-	97,885	(97,885)	-
Bonds payable	2,060,000	-	720,000	-	-	-	2,780,000	(150,000)	2,630,000
Other liabilities	59,021	-	13,715	-	-	-	72,736	-	72,736
Total current liabilities	11,309,026	-	3,750,570	-	-	-	15,059,596	(247,885)	14,811,711
Resident refunds payable	-	-	6,597,651	-	-	-	6,597,651	-	6,597,651
Deposits, prospective residents	479,000	-	161,000	-	-	-	640,000	-	640,000
Bonds payable, net of OID \$7,451,837 and bond issuance costs \$2,426,959	108,299,794	-	42,866,755	-	-	-	151,166,549	(7,379,290)	143,787,259
Deferred revenue, entrance fees	77,568,878	-	21,210,525	-	-	-	98,779,403	-	98,779,403
Refundable fees	2,774,894	-	48,883,104	-	-	-	51,657,998	-	51,657,998
Other liabilities	488,230	-	41,451	-	-	-	529,681	-	529,681
Total liabilities	200,919,822	-	123,511,056	-	-	-	324,430,878	(7,627,175)	316,803,703
Net Assets									
Without donor restrictions									
Undesignated	26,668,302	-	(13,887,429)	-	19,048,478	-	31,829,351	(450,710)	31,378,641
With board designations	5,162,876	-	-	-	-	-	5,162,876	-	5,162,876
With donor restrictions									
Purpose restricted for Samaritan Program	-	3,296,882	-	38,095	-	-	3,334,977	-	3,334,977
Purpose restricted for all other programs	-	178,314	-	56,431	-	-	234,745	-	234,745
Perpetual in nature - investments	-	2,973,938	-	-	-	-	2,973,938	-	2,973,938
Perpetual in nature - beneficial interest in trusts	-	23,404,338	-	-	-	-	23,404,338	-	23,404,338
Total net assets	31,831,178	29,853,472	(13,887,429)	94,526	19,048,478	-	66,940,225	(450,710)	66,489,515
Total liabilities and net assets	\$ 232,751,000	\$ 29,853,472	\$ 109,623,627	\$ 94,526	\$ 19,048,478	\$ -	\$ 391,371,103	\$ (8,077,885)	\$ 383,293,218

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF ACTIVITIES YEAR ENDED May 31, 2022

	Pinnacle Living		WindsorMeade		Hermitage Capital & Reserve Corporation				
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Sub-Total	Eliminations	Total
Operating revenues and support									
Residents' fees	\$ 50,962,620	\$ -	\$ 16,470,630	\$ -	\$ -	\$ -	\$ 67,433,250	\$ -	\$ 67,433,250
Membership fees	96,388	-	-	-	-	-	96,388	-	96,388
Benevolent care	(338,136)	-	-	-	-	-	(338,136)	-	(338,136)
Amortization of deferred revenue from entrance fees	10,135,226	-	2,927,680	-	-	-	13,062,906	-	13,062,906
Ancillary service revenue, net	24,493	-	401,108	-	-	-	425,601	-	425,601
Other operating revenue	4,408,679	-	424,924	-	-	-	4,833,603	(1,484,214)	3,349,389
Net assets released from restrictions	417,657	(417,657)	3,120	(3,120)	-	-	-	-	-
Total operating revenues and support	65,706,927	(417,657)	20,227,462	(3,120)	-	-	85,513,612	(1,484,214)	84,029,398
Operating expenses									
Administration	9,988,649	-	3,163,394	-	-	-	13,152,043	(1,484,214)	11,667,829
Marketing	2,505,319	-	612,137	-	-	-	3,117,456	-	3,117,456
General overhead	1,157,480	-	953,321	-	-	-	2,110,801	-	2,110,801
Depreciation	7,354,013	-	3,836,196	-	-	-	11,190,209	-	11,190,209
Dining	9,716,402	-	2,127,267	-	-	-	11,843,669	-	11,843,669
Resident services	2,511,942	-	714,717	-	-	-	3,226,659	-	3,226,659
Designated funds	79,521	-	3,120	-	-	-	82,641	-	82,641
Building and grounds	8,419,187	-	2,805,180	-	-	-	11,224,367	-	11,224,367
Housekeeping	3,163,842	-	635,868	-	-	-	3,799,710	-	3,799,710
Households / Neighborhoods	19,144,642	-	4,571,359	-	-	-	23,716,001	-	23,716,001
Total operating expenses	64,040,997	-	19,422,559	-	-	-	83,463,556	(1,484,214)	81,979,342
Change in net assets from operations	1,665,930	(417,657)	804,903	(3,120)	-	-	2,050,056	-	2,050,056
Other non-operating changes									
Bequests	27,130	-	-	-	-	-	27,130	-	27,130
Trusts and legacies	802,846	-	-	-	-	-	802,846	-	802,846
Present value change in trusts	-	(3,664,585)	-	-	-	-	(3,664,585)	-	(3,664,585)
Loss on disposal of property and equipment	(54,432)	-	-	-	-	-	(54,432)	-	(54,432)
Contributions, other	13,393	-	2,000	-	-	-	15,393	-	15,393
Contributions, Samaritan funds	-	282,081	-	32,878	-	-	314,959	-	314,959
Contributions, restricted funds	-	202,203	-	45,007	-	-	247,210	-	247,210
Investment income	2,451,164	145,735	533	-	398,977	-	2,996,409	(333,075)	2,663,334
Net realized gain (loss) on investments	812,975	(75,667)	-	-	(267,307)	-	470,001	-	470,001
Net unrealized gain (loss) on investments	(5,783,755)	(455,952)	950,781	-	(1,100,447)	-	(6,389,373)	-	(6,389,373)
Interest expense	(3,337,845)	-	(1,820,248)	-	-	-	(5,158,093)	459,108	(4,698,985)
Loss on defeasance	-	-	(12,766,498)	-	-	-	(12,766,498)	324,677	(12,441,821)
Other non-operating charges and fees	(146,184)	-	17,173	-	(1,027)	-	(130,038)	-	(130,038)
Transfer from affiliate	1,171,515	-	288,251	-	(1,459,766)	-	-	-	-
Total other non-operating changes	(4,043,193)	(3,566,185)	(13,328,008)	77,885	(2,429,570)	-	(23,289,071)	450,710	(22,838,361)
Change in net assets	(2,377,263)	(3,983,842)	(12,523,105)	74,765	(2,429,570)	-	(21,239,015)	450,710	(20,788,305)
Net assets at the beginning of the year	31,831,178	29,853,472	(13,887,429)	94,526	19,048,478	-	66,940,225	(450,710)	66,489,515
Net assets at the end of the year	\$ 29,453,915	\$ 25,869,630	\$ (26,410,534)	\$ 169,291	\$ 16,618,908	\$ -	\$ 45,701,210	\$ -	\$ 45,701,210

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF ACTIVITIES YEAR ENDED May 31, 2021 Restated

	Pinnacle Living		WindsorMeade		Hermitage Capital & Reserve Corporation		Sub-Total	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
Operating revenues and support									
Residents' fees	\$ 46,965,895	\$ -	\$ 15,867,855	\$ -	\$ -	\$ -	\$ 62,833,750	\$ -	\$ 62,833,750
Membership fees	71,539	-	-	-	-	-	71,539	-	71,539
Benevolent care	(454,869)	-	-	-	-	-	(454,869)	-	(454,869)
Amortization of deferred revenue from entrance fees	10,414,891	-	3,146,670	-	-	-	13,561,561	-	13,561,561
Ancillary service revenue, net	31,664	-	461,828	-	-	-	493,492	-	493,492
Other operating revenue	3,221,426	-	2,123,507	-	-	-	5,344,933	(663,368)	4,681,565
Net assets released from restrictions	454,867	(454,867)	-	-	-	-	-	-	-
Total operating revenues and support	60,705,413	(454,867)	21,599,860	-	-	-	81,850,406	(663,368)	81,187,038
Operating expenses									
Administration	9,722,453	-	2,408,647	-	-	-	12,131,100	(663,368)	11,467,732
Marketing	2,484,946	-	737,421	-	-	-	3,222,367	-	3,222,367
General overhead	1,042,349	-	927,273	-	705	-	1,970,327	-	1,970,327
Depreciation	7,128,991	-	3,721,840	-	-	-	10,850,831	-	10,850,831
Dining	8,824,114	-	1,808,928	-	-	-	10,633,042	-	10,633,042
Resident services	2,570,687	-	550,394	-	-	-	3,121,081	-	3,121,081
Designated funds	76,596	-	6,605	-	-	-	83,201	-	83,201
Building and grounds	8,278,072	-	2,569,596	-	-	-	10,847,668	-	10,847,668
Housekeeping	2,985,351	-	536,898	-	-	-	3,522,249	-	3,522,249
Households / Neighborhoods	17,555,348	-	4,238,105	-	-	-	21,793,453	-	21,793,453
Total operating expenses	60,668,907	-	17,505,707	-	705	-	78,175,319	(663,368)	77,511,951
Change in net assets from operations	36,506	(454,867)	4,094,153	-	(705)	-	3,675,087	-	3,675,087
Other non-operating changes									
Bequests	47,497	-	-	-	-	-	47,497	-	47,497
Trusts and legacies	787,084	-	-	-	-	-	787,084	-	787,084
Present value change in trusts	-	6,033,735	-	-	-	-	6,033,735	-	6,033,735
Loss on disposal of property and equipment	(396,846)	-	-	-	-	-	(396,846)	-	(396,846)
Contributions, other	48,135	-	-	-	-	-	48,135	-	48,135
Contributions, Samaritan funds	-	832,751	-	11,581	-	-	844,332	-	844,332
Contributions, restricted funds	76,596	86,995	6,605	490	-	-	170,686	-	170,686
Investment income	1,277,616	133,848	486	-	340,703	-	1,752,653	(457,199)	1,295,454
Net realized gain (loss) on investments	3,297,038	308,475	-	-	(280,609)	-	3,324,904	-	3,324,904
Net unrealized gain (loss) on investments	5,315,635	(448,709)	-	-	128,439	-	4,995,365	(206,909)	4,788,456
Interest expense	(2,552,515)	-	(3,052,129)	-	-	-	(5,604,644)	512,207	(5,092,437)
Other non-operating charges and fees	(241,814)	-	(1,483)	-	(1,018)	-	(244,315)	-	(244,315)
Transfer from affiliate	(3,750,005)	-	-	-	3,750,005	-	-	-	-
Total other non-operating changes	3,908,421	6,947,095	(3,046,521)	12,071	3,937,520	-	11,758,586	(151,901)	11,606,685
Change in net assets	3,944,927	6,492,228	1,047,632	12,071	3,936,815	-	15,433,673	(151,901)	15,281,772
Net assets at the beginning of the year	27,886,251	23,361,244	(14,935,061)	82,455	15,111,663	-	51,506,552	(298,809)	51,207,743
Net assets at the end of the year	\$ 31,831,178	\$ 29,853,472	\$ (13,887,429)	\$ 94,526	\$ 19,048,478	\$ -	\$ 66,940,225	\$ (450,710)	\$ 66,489,515

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2022

	Pinnacle Living	WindsorMeade	HCRC	Sub-Total	Eliminations	Total
Operating Activities						
Change in net assets	\$ (6,361,105)	\$ (12,448,340)	\$ (2,429,570)	\$ (21,239,015)	\$ 450,710	\$ (20,788,305)
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities						
Depreciation	7,354,013	3,836,196	-	11,190,209	-	11,190,209
Amortization of deferred revenue from entrance fees	(10,135,226)	(2,927,680)	-	(13,062,906)	-	(13,062,906)
Amortization of bond issuance costs	120,885	42,153	-	163,038	(2,094)	160,944
Amortization of original issue premium on bonds payable	(828,571)	(190,863)	-	(1,019,434)	(123,939)	(1,143,373)
Realized (gains) losses on investments	(737,308)	-	267,307	(470,001)	-	(470,001)
Unrealized (gains) losses on investments	6,239,707	(950,781)	1,100,447	6,389,373	-	6,389,373
Loss on disposal of property and equipment	54,432	-	-	54,432	-	54,432
Proceeds of Pinnacle Advantage membership entrance fees	190,000	-	-	190,000	-	190,000
Proceeds first generation entrance fees	1,435,830	-	-	1,435,830	-	1,435,830
Proceeds after first generation entrance fees	8,664,246	11,190,325	-	19,854,571	-	19,854,571
Refunds of entrance fees	(468,399)	(6,786,540)	-	(7,254,939)	-	(7,254,939)
Refunds of Pinnacle Advantage entrance fees	-	-	-	-	-	-
Beneficial interest in trusts, with donor restrictions	3,664,585	-	-	3,664,585	-	3,664,585
Loss on defeasance	-	12,766,498	-	12,766,498	(324,677)	12,441,821
Changes in operating assets						
Accounts receivable, residents	2,727	(105,568)	-	(102,841)	-	(102,841)
Accounts receivable, other	(439,333)	(190,715)	-	(630,048)	-	(630,048)
Accrued income receivable	(15,871)	-	-	(15,871)	-	(15,871)
Prepaid expenses	48,065	(8,950)	-	39,115	-	39,115
Due from affiliate(s)	(640,597)	-	-	(640,597)	640,597	(640,597)
Other assets	92,797	(13,968)	-	78,829	-	78,829
Changes in operating liabilities						
Accounts payable	139,532	(260,393)	-	(120,861)	-	(120,861)
Resident refunds payable	2,783	9,608	-	12,391	-	12,391
Accrued expenses	482,981	31,142	-	514,123	-	514,123
Deposits, prospective residents	102,012	(158,597)	-	(56,585)	-	(56,585)
Due to affiliate	-	640,597	-	640,597	(640,597)	640,597
Other liabilities	1,211,160	(56)	-	1,211,104	-	1,211,104
Net cash provided by (used in) operating activities	10,179,345	4,474,068	(1,061,816)	13,591,597	-	13,591,597
Investment Activities						
Proceeds from sales of investment securities	16,083,181	-	1,449,976	17,533,157	-	17,533,157
Purchase of investments	(10,072,400)	(341,991)	(534,187)	(10,948,578)	(7,980,000)	(18,928,578)
Withdrawal from investments	(2,000,000)	-	-	(2,000,000)	-	(2,000,000)
Proceeds from the sale of property and equipment	806,926	-	-	806,926	-	806,926
Purchase of property and equipment, Cedarfield expansion	(8,284,918)	-	-	(8,284,918)	-	(8,284,918)
Purchase of property and equipment, capitalized interest	(1,111,835)	-	-	(1,111,835)	-	(1,111,835)
Purchase of property and equipment, routine	(3,792,766)	(2,183,093)	-	(5,975,859)	-	(5,975,859)
Net cash provided by (used in) investment activities	(8,371,812)	(2,525,084)	915,789	(9,981,107)	(7,980,000)	(17,961,107)

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2022 (CONTINUED)

	Pinnacle Living	WindsorMeade	HCRC	Sub-Total	Eliminations	Total
Financing Activities						
Bond issuance costs	-	(961,363)	-	(961,363)	-	(961,363)
Original issue premium	-	2,098,667	-	2,098,667	-	2,098,667
Cap premium	-	(750,000)	-	(750,000)	-	(750,000)
Interest expense financed on Series 2013A bonds	-	(2,953,050)	-	(2,953,050)	-	(2,953,050)
Issuance of debt on 2021A bonds	-	26,800,000	-	26,800,000	-	26,800,000
Issuance of debt on 2021B bonds	-	29,365,000	-	29,365,000	-	29,365,000
Issuance of taxable loan	-	2,075,000	-	2,075,000	-	2,075,000
Principal payment of Series 2012 bonds	(2,060,000)	-	-	(2,060,000)	-	(2,060,000)
Principal payment of Series 2013A bonds	-	(29,040,000)	-	(29,040,000)	-	(29,040,000)
Principal payment on Series 2013A subordinate bonds	-	(9,897,733)	-	(9,897,733)	-	(9,897,733)
Principal payment on Series 2013B bonds	-	(6,500,000)	-	(6,500,000)	6,500,000	-
Principal payment of Series 2013C bonds	-	(1,480,000)	-	(1,480,000)	1,480,000	-
Principal payment of Series 2016 bonds	-	(6,547,777)	-	(6,547,777)	-	(6,547,777)
Principal payment of Series 2019B bonds	(1,212,725)	-	-	(1,212,725)	-	(1,212,725)
Principal payment on taxable loan	-	(555,000)	-	(555,000)	-	(555,000)
Net cash provided by (used in) financing activities	(3,272,725)	1,653,744	-	(1,618,981)	7,980,000	6,361,019
Net change in cash and cash equivalents	(1,465,192)	3,602,728	(146,027)	1,991,509	-	1,991,509
Cash and cash equivalents, beginning	11,799,052	12,829,493	535,625	25,164,170	-	25,164,170
Cash and cash equivalents, ending	\$ 10,333,860	\$ 16,432,221	\$ 389,598	\$ 27,155,679	\$ -	\$ 27,155,679
Supplemental disclosure of cash flow information, cash payments for interest, net of amounts capitalized	\$ 5,152,011	\$ 2,144,446	\$ -	\$ 7,296,457	\$ -	\$ 7,296,457

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2021 Restated

	Pinnacle Living	WindsorMeade	HCRC	Sub-Total	Eliminations	Total
Operating Activities						
Change in net assets	\$ 10,437,155	\$ 1,059,703	\$ 3,936,815	\$ 15,433,673	\$ (151,901)	\$ 15,281,772
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities						
Depreciation	7,128,991	3,721,840	-	10,850,831	-	10,850,831
Amortization of deferred revenue from entrance fees	(10,414,891)	(3,146,670)	-	(13,561,561)	-	(13,561,561)
Amortization of bond issuance costs	120,884	8,376	-	129,260	-	129,260
Amortization of original issue discount (premium) on bonds payable	(828,552)	507,984	-	(320,568)	(55,008)	(375,576)
Realized gains on investments	(3,605,513)	-	280,609	(3,324,904)	-	(3,324,904)
Unrealized gains on investments	(4,866,926)	-	(128,439)	(4,995,365)	206,909	(4,788,456)
Loss on disposal of property and equipment	396,846	-	-	396,846	-	396,846
Proceeds of Pinnacle Advantage membership entrance fees	180,000	-	-	180,000	-	180,000
Proceeds first generation entrance fees	9,916,475	-	-	9,916,475	-	9,916,475
Proceeds after first generation entrance fees	10,718,585	8,247,065	-	18,965,650	-	18,965,650
Refunds of entrance fees	(1,191,754)	(6,689,242)	-	(7,880,996)	-	(7,880,996)
Refunds of Pinnacle Advantage entrance fees	-	-	-	-	-	-
Beneficial interest in trusts, with donor restrictions	(6,033,735)	-	-	(6,033,735)	-	(6,033,735)
Forgiveness of payroll protection program debt	-	(1,142,900)	-	(1,142,900)	-	(1,142,900)
Changes in operating assets						
Accounts receivable, residents	3,781	178,274	-	182,055	-	182,055
Accounts receivable, other	137,608	-	-	137,608	-	137,608
Accrued income receivable	16,940	-	-	16,940	-	16,940
Prepaid expenses	(72,692)	1,451	-	(71,241)	-	(71,241)
Due from affiliate(s)	636,681	-	-	636,681	(636,681)	-
Other assets	(202,864)	(41,151)	-	(244,015)	-	(244,015)
Changes in operating liabilities						
Accounts payable	(3,074,303)	(284,359)	-	(3,358,662)	-	(3,358,662)
Resident refunds payable	-	(189,763)	-	(189,763)	-	(189,763)
Accrued expenses	(528,431)	(173,202)	-	(701,633)	-	(701,633)
Deposits, prospective residents	(724,632)	(115,129)	-	(839,761)	-	(839,761)
Due to affiliate	-	(32,894)	(603,787)	(636,681)	636,681	-
Other liabilities	21,922	(194,890)	-	(172,968)	-	(172,968)
Net cash provided by operating activities	8,171,575	1,714,493	3,485,198	13,371,266	-	13,371,266
Investment Activities						
Proceeds from sales of investment securities	21,379,085	854,211	3,401,182	25,634,478	-	25,634,478
Purchase of investments	3,459,501	-	(6,521,604)	(3,062,103)	(140,000)	(3,202,103)
Withdrawal from investments	(5,400,000)	-	(500,000)	(5,900,000)	-	(5,900,000)
Purchase of property and equipment, Cedarfield expansion	(9,962,455)	-	-	(9,962,455)	-	(9,962,455)
Purchase of property and equipment, capitalized interest	(2,260,744)	-	-	(2,260,744)	-	(2,260,744)
Purchase of property and equipment, routine	(3,586,639)	(1,849,869)	-	(5,436,508)	-	(5,436,508)
Net cash provided by (used in) investment activities	3,628,748	(995,658)	(3,620,422)	(987,332)	(140,000)	(1,127,332)

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2021 Restated (CONTINUED)

	Pinnacle Living	WindsorMeade	HCRC	Sub-Total	Eliminations	Total
Financing Activities						
Issuance Series 2019B bonds	790,152	-	-	790,152	-	790,152
Issuance of payroll protection program debt	4,587,820	-	-	4,587,820	-	4,587,820
Principal payment of Series 2012 bonds	(1,985,000)	-	-	(1,985,000)	-	(1,985,000)
Principal payment of Series 2013A bonds	-	(485,000)	-	(485,000)	-	(485,000)
Principal payment of Series 2013C bonds	-	(140,000)	-	(140,000)	140,000	-
Principal payment of Series 2016 bonds	-	(178,484)	-	(178,484)	-	(178,484)
Principal payment of Series 2019B bonds	(9,567,275)	-	-	(9,567,275)	-	(9,567,275)
Net cash used in financing activities	(6,174,303)	(803,484)	-	(6,977,787)	140,000	(6,837,787)
Net change in cash and cash equivalents	5,626,020	(84,649)	(135,224)	5,406,147	-	5,406,147
Cash and cash equivalents, beginning	6,173,032	12,914,142	670,849	19,758,023	-	19,758,023
Cash and cash equivalents, ending	\$ 11,799,052	\$ 12,829,493	\$ 535,625	\$ 25,164,170	\$ -	\$ 25,164,170
Supplemental disclosure of cash flow information, cash payments for interest, net of amounts capitalized	\$ 5,337,933	\$ 2,555,621	\$ -	\$ 7,893,554	\$ -	\$ 7,893,554
Supplemental schedule of noncash financing activities, forgiveness of payroll protection program debt	\$ -	1,142,900	-	1,142,900	-	1,142,900

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PINNACLE LIVING

SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES

Pinnacle Living is a “provider” of continuing care, as such term is contemplated under Virginia law. Pinnacle Living facilities are not legal entities unto themselves. Rather, Pinnacle Living facilities are locations where Pinnacle Living provides continuing care for its residents. Accordingly, as is reflected in the foregoing financial statements, Pinnacle Living owns all assets of the corporation, and all liabilities of the corporation are incurred by Pinnacle Living in its corporate name.

In consultation with its auditor, Pinnacle Living has determined that the following Combining Balance Sheets by Community accurately reflect the foregoing realities: No Pinnacle Living facility owns assets, and no Pinnacle Living facility incurs obligations in the name of the facility.

However, Pinnacle Living has prepared the following Combining Statements of Activities by Community in an effort to provide information about revenues received and expenses incurred by Pinnacle Living with regard to its various facilities. The reader is cautioned to be mindful of the fact, as stated above, that all such activities are engaged in by the corporation (Pinnacle Living) in these locations, not by the facilities themselves (which are not legal entities), and that this information is more accurately reflected in the Pinnacle Living audited financial statements. Indeed, Pinnacle Living’s auditor has not subjected this information to the auditing procedures applied in the audit of the basic financial statements precisely because it does not accurately describe the entity contractually responsible for providing services to the residents. Nevertheless, the following unaudited information is presented in response to Administrative Letter 2013-01 of the Commissioner of Insurance, State Corporation Commission of Virginia, to be reviewed in connection with the foregoing audited financial statements of Pinnacle Living, which do accurately reflect such contractual relationship.

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2022

	Pinnacle Living Pooled Funds	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke	Lydia Roper Home	Cedarfield
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 10,071,918	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents, with donor restrictions	261,942	-	-	-	-	-
Total cash and cash equivalents	10,333,860	-	-	-	-	-
Accounts receivable, residents, less allowance for uncollectible accounts \$1,494,811	193,479	-	-	-	-	-
Accounts receivable, other	721,843	-	-	-	-	-
Prepaid expenses	233,433	-	-	-	-	-
Accrued income receivable	117,576	-	-	-	-	-
Due from affiliate	738,482	-	-	-	-	-
Assets whose use is limited	7,769,232	-	-	-	-	-
Other assets	396,350	-	-	-	-	-
Total current assets	20,504,255	-	-	-	-	-
Beneficial interest in trusts, with donor restrictions	19,739,753	-	-	-	-	-
Investments	47,460,825	-	-	-	-	-
Investments, with donor restrictions	5,867,935	-	-	-	-	-
Investments in Senior Living Partners of Virginia	-	-	-	-	-	-
Assets whose use is limited	23,424,666	-	-	-	-	-
Other assets	347,633	-	-	-	-	-
Property and equipment, net	136,542,808	-	-	-	-	-
Total assets	\$ 253,887,875	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND NET ASSETS						
Liabilities						
Current liabilities						
Accounts payable	\$ 2,254,084	\$ -	\$ -	\$ -	\$ -	\$ -
Resident refund payable	3,072	-	-	-	-	-
Accrued expenses	7,170,201	-	-	-	-	-
Deposits, prospective residents	370,245	-	-	-	-	-
Due to affiliate	-	-	-	-	-	-
Bonds payable	2,160,000	-	-	-	-	-
Other liabilities	1,420,578	-	-	-	-	-
Total current liabilities	13,378,180	-	-	-	-	-
Resident refunds payable	231,018	-	-	-	-	-
Deposits, prospective residents	599,000	-	-	-	-	-
Bonds payable, net of OID \$2,889,247 and bond issuance costs \$3,185,223	104,219,383	-	-	-	-	-
Deferred revenue, entrance fees	77,024,021	-	-	-	-	-
Refundable fees	2,774,895	-	-	-	-	-
Other liabilities	337,833	-	-	-	-	-
Total liabilities	198,564,330	-	-	-	-	-
Net Assets						
Without donor restrictions						
Undesignated	24,291,039	-	-	-	-	-
With board designations	5,162,876	-	-	-	-	-
With donor restrictions						
Purpose restricted for Samaritan Program	2,854,943	-	-	-	-	-
Purpose restricted for all other programs	300,996	-	-	-	-	-
Perpetual in nature - investments	2,973,938	-	-	-	-	-
Perpetual in nature - beneficial interest in trusts	19,739,753	-	-	-	-	-
Total net assets	55,323,545	-	-	-	-	-
Total liabilities and net assets	\$ 253,887,875	\$ -	\$ -	\$ -	\$ -	\$ -

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2022 (CONTINUED)

	Pinnacle Advantage	Pinnacle Living Obligated Group	WindsorMeade	HCRC	Eliminations	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ 10,071,918	\$ 16,262,930	\$ 389,598	\$ -	\$ 26,724,446
Cash and cash equivalents, with donor restrictions	-	261,942	169,291	-	-	431,233
Total cash and cash equivalents	-	10,333,860	16,432,221	389,598	-	27,155,679
Accounts receivable, residents, less allowance for uncollectible accounts \$1,494,811	-	193,479	105,568	-	-	299,047
Accounts receivable, other	-	721,843	967,090	-	-	1,688,933
Prepaid expenses	-	233,433	50,112	-	-	283,545
Accrued income receivable	-	117,576	-	-	-	117,576
Due from affiliate	-	738,482	-	-	(738,482)	-
Assets whose use is limited	-	7,769,232	703,055	-	-	8,472,287
Other assets	-	396,350	-	-	-	396,350
Total current assets	-	20,504,255	18,258,046	389,598	(738,482)	38,413,417
Beneficial interest in trusts, with donor restrictions	-	19,739,753	-	-	-	19,739,753
Investments	-	47,460,825	-	15,847,481	-	63,308,306
Investments, with donor restrictions	-	5,867,935	-	-	-	5,867,935
Investments in Senior Living Partners of Virginia	-	-	-	236,137	-	236,137
Assets whose use is limited	-	23,424,666	5,704,555	-	-	29,129,221
Other assets	-	347,633	1,755,900	-	-	2,103,533
Property and equipment, net	-	136,542,808	88,202,877	145,692	-	224,891,377
Total assets	\$ -	\$ 253,887,875	\$ 113,921,378	\$ 16,618,908	\$ (738,482)	\$ 383,689,679
LIABILITIES AND NET ASSETS						
Liabilities						
Current liabilities						
Accounts payable	\$ -	\$ 2,254,084	\$ 340,168	\$ -	\$ -	\$ 2,594,252
Resident refund payable	-	3,072	6,600	-	-	9,672
Accrued expenses	-	7,170,201	2,109,317	-	-	9,279,518
Deposits, prospective residents	-	370,245	77,637	-	-	447,882
Due to affiliate	-	-	738,482	-	(738,482)	-
Bonds payable	-	2,160,000	1,570,000	-	-	3,730,000
Other liabilities	-	1,420,578	-	-	-	1,420,578
Total current liabilities	-	13,378,180	4,842,204	-	(738,482)	17,481,902
Resident refunds payable	-	231,018	4,907,243	-	-	5,138,261
Deposits, prospective residents	-	599,000	165,000	-	-	764,000
Bonds payable, net of OID \$2,889,247 and bond issuance costs \$3,185,223	-	104,219,383	56,977,561	-	-	161,196,944
Deferred revenue, entrance fees	-	77,024,021	24,069,963	-	-	101,093,984
Refundable fees	-	2,774,895	49,145,540	-	-	51,920,435
Other liabilities	-	337,833	55,110	-	-	392,943
Total liabilities	-	198,564,330	140,162,621	-	(738,482)	337,988,469
Net Assets						
Without donor restrictions						
Undesignated	-	24,291,039	(26,410,534)	16,618,908	-	14,499,413
With board designations	-	5,162,876	-	-	-	5,162,876
With donor restrictions						
Purpose restricted for Samaritan Program	-	2,854,943	70,973	-	-	2,925,916
Purpose restricted for all other programs	-	300,996	98,318	-	-	399,314
Perpetual in nature - investments	-	2,973,938	-	-	-	2,973,938
Perpetual in nature - beneficial interest in trusts	-	19,739,753	-	-	-	19,739,753
Total net assets	-	55,323,545	(26,241,243)	16,618,908	-	45,701,210
Total liabilities and net assets	\$ -	\$ 253,887,875	\$ 113,921,378	\$ 16,618,908	\$ (738,482)	\$ 383,689,679

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2021 Restated

	Pinnacle Living Pooled Funds	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke	Lydia Roper Home	Cedarfield
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 11,731,929	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents, with donor restrictions	67,123	-	-	-	-	-
Total cash and cash equivalents	11,799,052	-	-	-	-	-
Accounts receivable, residents, less allowance for uncollectible accounts \$2,799,260	196,206	-	-	-	-	-
Accounts receivable, other	282,510	-	-	-	-	-
Prepaid expenses	281,498	-	-	-	-	-
Accrued income receivable	101,705	-	-	-	-	-
Due from affiliate	97,885	-	-	-	-	-
Assets whose use is limited	7,014,600	-	-	-	-	-
Other assets	412,424	-	-	-	-	-
Total current assets	20,185,880	-	-	-	-	-
Beneficial interest in trusts, with donor restrictions	23,404,338	-	-	-	-	-
Due from affiliate - WindsorMeade	7,980,000	-	-	-	-	-
Investments	42,642,891	-	-	-	-	-
Investments, with donor restrictions	6,382,011	-	-	-	-	-
Investments in Senior Living Partners of Virginia	-	-	-	-	-	-
Assets whose use is limited	30,023,588	-	-	-	-	-
Other assets	424,356	-	-	-	-	-
Property and equipment, net	131,561,408	-	-	-	-	-
Total assets	\$ 262,604,472	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND NET ASSETS						
Liabilities						
Current liabilities						
Accounts payable	\$ 2,114,552	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	6,687,220	-	-	-	-	-
Deposits, prospective residents	388,233	-	-	-	-	-
Due to affiliate	-	-	-	-	-	-
Bonds payable	2,060,000	-	-	-	-	-
Other liabilities	59,021	-	-	-	-	-
Total current liabilities	11,309,026	-	-	-	-	-
Resident refunds payable	-	-	-	-	-	-
Deposits, prospective residents	479,000	-	-	-	-	-
Bonds payable, net of OID \$7,451,837 and bond issuance costs \$2,426,959	108,299,794	-	-	-	-	-
Deferred revenue, entrance fees	77,568,878	-	-	-	-	-
Refundable fees	2,774,894	-	-	-	-	-
Other liabilities	488,230	-	-	-	-	-
Total liabilities	200,919,822	-	-	-	-	-
Net Assets						
Without donor restrictions						
Undesignated	26,668,302	-	-	-	-	-
With board designations	5,162,876	-	-	-	-	-
With donor restrictions						
Purpose restricted for Samaritan Program	3,296,882	-	-	-	-	-
Purpose restricted for all other programs	178,314	-	-	-	-	-
Perpetual in nature - investments	2,973,938	-	-	-	-	-
Perpetual in nature - beneficial interest in trusts	23,404,338	-	-	-	-	-
Total net assets	61,684,650	-	-	-	-	-
Total liabilities and net assets	\$ 262,604,472	\$ -	\$ -	\$ -	\$ -	\$ -

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2021 Restated (CONTINUED)

	Pinnacle Advantage	Pinnacle Living Obligated Group	WindsorMeade	HCRC	Eliminations	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ 11,731,929	\$ 12,734,967	\$ 535,625	\$ -	\$ 25,002,521
Cash and cash equivalents, with donor restrictions	-	67,123	94,526	-	-	161,649
Total cash and cash equivalents	-	11,799,052	12,829,493	535,625	-	25,164,170
Accounts receivable, residents, less allowance for uncollectible accounts \$2,799,260	-	196,206	-	-	-	196,206
Accounts receivable, other	-	282,510	871,940	-	-	1,154,450
Prepaid expenses	-	281,498	41,162	-	-	322,660
Accrued income receivable	-	101,705	-	-	-	101,705
Due from affiliate	-	97,885	-	-	(97,885)	-
Assets whose use is limited	-	7,014,600	2,215,119	-	-	9,229,719
Other assets	-	412,424	-	-	-	412,424
Total current assets	-	20,185,880	15,957,714	535,625	(97,885)	36,581,334
Beneficial interest in trusts, with donor restrictions	-	23,404,338	-	-	-	23,404,338
Due from affiliate - WindsorMeade	-	7,980,000	-	-	(7,980,000)	-
Investments	-	42,642,891	-	18,008,161	-	60,651,052
Investments, with donor restrictions	-	6,382,011	-	-	-	6,382,011
Investments in Senior Living Partners of Virginia	-	-	-	359,000	-	359,000
Assets whose use is limited	-	30,023,588	3,863,308	-	-	33,886,896
Other assets	-	424,356	41,151	-	-	465,507
Property and equipment, net	-	131,561,408	89,855,980	145,692	-	221,563,080
Total assets	\$ -	\$ 262,604,472	\$ 109,718,153	\$ 19,048,478	\$ (8,077,885)	\$ 383,293,218
LIABILITIES AND NET ASSETS						
Liabilities						
Current liabilities						
Accounts payable	\$ -	\$ 2,114,552	\$ 600,561	\$ -	\$ -	\$ 2,715,113
Accrued expenses	-	6,687,220	2,078,175	-	-	8,765,395
Deposits, prospective residents	-	388,233	240,234	-	-	628,467
Due to affiliate	-	-	97,885	-	(97,885)	-
Bonds payable	-	2,060,000	720,000	-	(150,000)	2,630,000
Other liabilities	-	59,021	13,715	-	-	72,736
Total current liabilities	-	11,309,026	3,750,570	-	(247,885)	14,811,711
Resident refunds payable	-	-	6,597,651	-	-	6,597,651
Deposits, prospective residents	-	479,000	161,000	-	-	640,000
Bonds payable, net of OID \$7,451,837 and bond issuance costs \$2,426,959	-	108,299,794	42,866,755	-	(7,379,290)	143,787,259
Deferred revenue, entrance fees	-	77,568,878	21,210,525	-	-	98,779,403
Refundable fees	-	2,774,894	48,883,104	-	-	51,657,998
Other liabilities	-	488,230	41,451	-	-	529,681
Total liabilities	-	200,919,822	123,511,056	-	(7,627,175)	316,803,703
Net Assets						
Without donor restrictions						
Undesignated	-	26,668,302	(13,887,429)	19,048,478	(450,710)	31,378,641
With board designations	-	5,162,876	-	-	-	5,162,876
With donor restrictions						
Purpose restricted for Samaritan Program	-	3,296,882	38,095	-	-	3,334,977
Purpose restricted for all other programs	-	178,314	56,431	-	-	234,745
Perpetual in nature - investments	-	2,973,938	-	-	-	2,973,938
Perpetual in nature - beneficial interest in trusts	-	23,404,338	-	-	-	23,404,338
Total net assets	-	61,684,650	(13,792,903)	19,048,478	(450,710)	66,489,515
Total liabilities and net assets	\$ -	\$ 262,604,472	\$ 109,718,153	\$ 19,048,478	\$ (8,077,885)	\$ 383,293,218

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2022

	Pinnacle Living Pooled Funds	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke	Lydia Roper Home	Cedarfield
Residents' fees	\$ -	\$ 8,073,699	\$ 12,710,095	\$ 3,826,758	\$ -	\$ 26,352,068
Membership fees	-	-	-	-	-	-
Benevolent care	-	-	(297,601)	(98,638)	-	58,103
Amortization of deferred revenue from entrance fees	-	-	-	6,122	-	10,062,737
Ancillary service revenue, net	-	3,778	(9,678)	(9,494)	-	39,887
Other operating revenue	2,361,864	212,515	324,713	174,607	-	1,333,371
Shared resources	3,566,711	-	-	-	-	-
Total operating revenues and support	5,928,575	8,289,992	12,727,529	3,899,355	-	37,846,166
Operating expenses						
Administration	5,839,734	779,677	898,576	436,404	-	1,995,632
Marketing	37,616	528,410	599,555	455,468	-	770,721
General overhead	2,190	208,214	277,691	100,070	5,934	563,381
Depreciation	298,282	1,229,582	768,270	231,042	21,960	4,804,877
Dining	-	1,824,783	1,765,086	921,162	-	5,205,371
Resident services	-	369,433	504,563	235,358	-	1,402,588
Designated funds	-	-	3,476	5,740	-	70,305
Building and grounds	70,926	1,254,396	1,470,051	926,254	7,832	4,689,645
Housekeeping	-	648,061	875,412	158,687	-	1,481,682
Households / Neighborhoods	-	2,675,347	6,306,519	1,929,271	-	8,233,505
Shared resources	-	632,579	781,417	375,304	-	1,777,411
Total operating expenses	6,248,748	10,150,482	14,250,616	5,774,760	35,726	30,995,118
Excess (deficiency) from operations ¹	(320,173)	(1,860,490)	(1,523,087)	(1,875,405)	(35,726)	6,851,048
Other non-operating changes						
Bequests	-	4,611	5,696	2,719	-	14,104
Trusts and legacies	-	20,470	49,524	673,573	-	59,279
Present value change in trusts, with donor restrictions	-	(93,260)	(274,613)	(2,990,558)	-	(306,154)
Gain (loss) on disposal of property and equipment	-	(1,457)	(1,416)	(644)	(52,137)	1,222
Contributions, other	-	16,053	66	31	-	(2,757)
Contributions, Samaritan funds, with donor restrictions	88,143	1,656	29,479	37,890	-	124,913
Contributions, with donor restrictions	-	1,000	440	3,050	-	197,713
Investment income	-	-	-	-	-	2,451,165
Investment income, with donor restrictions	64,107	7,571	42,771	-	-	31,285
Net realized gain on investments	-	-	-	-	-	812,871
Net realized loss on investments, with donor restrictions	(28,348)	(20,237)	(18,641)	-	-	(8,337)
Net unrealized gain (loss) on investments	122,786	-	-	-	-	(5,906,541)
Net unrealized gain (loss) on investments, with donor restrictions	73,485	(26,715)	(529,177)	-	-	26,455
Interest expense	-	(471)	(605)	(289)	-	(3,336,480)
Loss on defeasance	-	-	-	-	-	-
Other non-operating charges and fees	-	(8,133)	(13,171)	(6,144)	-	(118,196)
Transfer (to) from affiliate	-	48,519	340,213	103,219	-	679,564
Total other non-operating changes	320,173	(50,393)	(369,434)	(2,177,153)	(52,137)	(5,279,894)
Excess (deficiency) ²	\$ -	\$ (1,910,883)	\$ (1,892,521)	\$ (4,052,558)	\$ (87,863)	\$ 1,571,154

¹This line item corresponds to the *Change in net assets from operations* line item on the Combining Statement of Activities.

²This line item corresponds to the *Change in net assets* line item on the Combining Statement of Activities.

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2022 (CONTINUED)

	Pinnacle Advantage	Pinnacle Living Eliminations	Pinnacle Living Obligated Group	WindsorMeade	HCRC	Eliminations	Total
Residents' fees	\$ -	\$ -	\$ 50,962,620	\$ 16,470,630	\$ -	\$ -	\$ 67,433,250
Membership fees	96,388	-	96,388	-	-	-	96,388
Benevolent care	-	-	(338,136)	-	-	-	(338,136)
Amortization of deferred revenue from entrance fees	66,367	-	10,135,226	2,927,680	-	-	13,062,906
Ancillary service revenue, net	-	-	24,493	401,108	-	-	425,601
Other operating revenue	1,609	-	4,408,679	424,924	-	(1,484,214)	3,349,389
Shared resources	-	(3,566,711)	-	-	-	-	-
Total operating revenues and support	164,364	(3,566,711)	65,289,270	20,224,342	-	(1,484,214)	84,029,398
Operating expenses							
Administration	38,626	-	9,988,649	3,163,394	-	(1,484,214)	11,667,829
Marketing	113,549	-	2,505,319	612,137	-	-	3,117,456
General overhead	-	-	1,157,480	953,321	-	-	2,110,801
Depreciation	-	-	7,354,013	3,836,196	-	-	11,190,209
Dining	-	-	9,716,402	2,127,267	-	-	11,843,669
Resident services	-	-	2,511,942	714,717	-	-	3,226,659
Designated funds	-	-	79,521	3,120	-	-	82,641
Building and grounds	83	-	8,419,187	2,805,180	-	-	11,224,367
Housekeeping	-	-	3,163,842	635,868	-	-	3,799,710
Households / Neighborhoods	-	-	19,144,642	4,571,359	-	-	23,716,001
Shared resources	-	(3,566,711)	-	-	-	-	-
Total operating expenses	152,258	(3,566,711)	64,040,997	19,422,559	-	(1,484,214)	81,979,342
Excess (deficiency) from operations ¹	12,106	-	1,248,273	801,783	-	-	2,050,056
Other non-operating changes							
Bequests	-	-	27,130	-	-	-	27,130
Trusts and legacies	-	-	802,846	-	-	-	802,846
Present value change in trusts, with donor restrictions	-	-	(3,664,585)	-	-	-	(3,664,585)
Gain (loss) on disposal of property and equipment	-	-	(54,432)	-	-	-	(54,432)
Contributions, other	-	-	13,393	2,000	-	-	15,393
Contributions, Samaritan funds, with donor restrictions	-	-	282,081	32,878	-	-	314,959
Contributions, with donor restrictions	-	-	202,203	45,007	-	-	247,210
Investment income	-	-	2,451,165	533	398,977	(333,075)	2,517,600
Investment income, with donor restrictions	-	-	145,734	-	-	-	145,734
Net realized gain on investments	-	-	812,871	-	(267,307)	-	545,564
Net realized loss on investments, with donor restrictions	-	-	(75,563)	-	-	-	(75,563)
Net unrealized gain (loss) on investments	-	-	(5,783,755)	950,781	(1,100,447)	-	(5,933,421)
Net unrealized gain (loss) on investments, with donor restrictions	-	-	(455,952)	-	-	-	(455,952)
Interest expense	-	-	(3,337,845)	(1,820,248)	-	459,108	(4,698,985)
Loss on defeasance	-	-	-	(12,766,498)	-	324,677	(12,441,821)
Other non-operating charges and fees	(540)	-	(146,184)	17,173	(1,027)	-	(130,038)
Transfer (to) from affiliate	-	-	1,171,515	288,251	(1,459,766)	-	-
Total other non-operating changes	(540)	-	(7,609,378)	(13,250,123)	(2,429,570)	450,710	(22,838,361)
Excess (deficiency) ²	\$ 11,566	\$ -	\$ (6,361,105)	\$ (12,448,340)	\$ (2,429,570)	\$ 450,710	\$ (20,788,305)

¹This line item corresponds to the *Change in net assets from operations* line item on the Combining Statement of Activities.

²This line item corresponds to the *Change in net assets* line item on the Combining Statement of Activities.

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2021 Restated

	Pinnacle Living Pooled Funds	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke	Lydia Roper Home	Cedarfield
Residents' fees	\$ -	\$ 8,227,544	\$ 12,028,328	\$ 3,431,789	\$ -	\$ 23,278,234
Membership fees	-	-	-	-	-	-
Benevolent care	-	-	(366,379)	(118,747)	-	30,257
Amortization of deferred revenue from entrance fees	-	8,472	-	12,153	-	10,345,180
Ancillary service revenue, net	-	9,137	(23,081)	1,809	-	43,799
Other operating revenue	1,180,259	211,647	332,300	222,243	-	1,274,678
Shared resources	9,784,088	-	-	-	-	-
Total operating revenues and support	10,964,347	8,456,800	11,971,168	3,549,247	-	34,972,148
Operating expenses						
Administration	5,291,566	814,669	855,774	458,973	-	2,266,026
Marketing	-	605,230	516,597	380,852	-	982,267
General overhead	148	191,326	251,214	89,709	18,855	491,097
Depreciation	294,806	1,332,523	800,187	298,868	132,510	4,270,097
Dining	-	1,767,014	1,831,643	805,951	-	4,419,506
Resident services	-	497,113	582,339	227,362	-	1,263,873
Designated funds	-	-	5,129	3,260	-	68,207
Building and grounds	61,582	1,363,441	1,546,071	883,504	28,716	4,394,758
Housekeeping	-	718,169	754,826	135,380	-	1,376,976
Households / Neighborhoods	-	2,753,584	5,760,211	1,799,390	-	7,242,163
Shared resources	-	1,845,799	2,015,998	939,039	-	4,983,252
Total operating expenses	5,648,102	11,888,868	14,919,989	6,022,288	180,081	31,758,222
Excess (deficiency) from operations ¹	5,316,245	(3,432,068)	(2,948,821)	(2,473,041)	(180,081)	3,213,926
Other non-operating changes						
Bequests	-	8,935	9,904	4,546	-	24,112
Trusts and legacies	-	23,224	59,104	642,086	-	62,670
Present value change in trusts, with donor restrictions	-	182,626	531,925	4,808,273	-	510,911
Gain (loss) on disposal of property and equipment	-	(383,561)	-	(16,275)	-	2,990
Contributions, other	-	4,437	4,846	2,588	-	36,264
Contributions, Samaritan funds, with donor restrictions	77,015	6,000	27,285	51,980	-	670,471
Contributions, restricted funds used for intended purpose	-	-	5,127	3,260	-	68,209
Contributions, with donor restrictions	-	1,553	2,488	1,665	-	81,289
Investment income	-	-	-	-	-	1,277,616
Investment income, with donor restrictions	69,814	7,457	50,162	-	-	6,415
Net realized gain (loss) on investments	-	-	-	-	-	3,297,038
Net realized gain on investments, with donor restrictions	215,435	2,748	13,732	-	-	76,560
Net unrealized gain (loss) on investments	(1,657,850)	-	-	-	-	6,973,485
Net unrealized gain on investments, with donor restrictions	(270,654)	69,852	(231,125)	-	-	(16,782)
Interest expense	-	(846)	(1,088)	(518)	-	(2,550,063)
Other non-operating charges and fees	-	6,579	7,186	3,347	-	(258,866)
Transfer to (from) affiliate	(3,750,005)	-	-	-	-	-
Total other non-operating changes	(5,316,245)	(70,996)	479,546	5,500,952	-	10,262,319
Excess (deficiency) ²	\$ -	\$ (3,503,064)	\$ (2,469,275)	\$ 3,027,911	\$ (180,081)	\$ 13,476,245

¹This line item corresponds to the *Change in net assets from operations* line item on the Combining Statement of Activities.

²This line item corresponds to the *Change in net assets* line item on the Combining Statement of Activities.

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2021 Restated (CONTINUED)

	Pinnacle Advantage	Pinnacle Living Eliminations	Pinnacle Living Obligated Group	WindsorMeade	HCRC	Eliminations	Total
Residents' fees	\$ -	\$ -	\$ 46,965,895	\$ 15,867,855	\$ -	\$ -	\$ 62,833,750
Membership fees	71,539	-	71,539	-	-	-	71,539
Benevolent care	-	-	(454,869)	-	-	-	(454,869)
Amortization of deferred revenue from entrance fees	49,086	-	10,414,891	3,146,670	-	-	13,561,561
Ancillary service revenue, net	-	-	31,664	461,828	-	-	493,492
Other operating revenue	299	-	3,221,426	2,123,507	-	(663,368)	4,681,565
Shared resources	-	(9,784,088)	-	-	-	-	-
Total operating revenues and support	120,924	(9,784,088)	60,250,546	21,599,860	-	(663,368)	81,187,038
Operating expenses							
Administration	35,445	-	9,722,453	2,408,647	-	(663,368)	11,467,732
Marketing	-	-	2,484,946	737,421	-	-	3,222,367
General overhead	-	-	1,042,349	927,273	705	-	1,970,327
Depreciation	-	-	7,128,991	3,721,840	-	-	10,850,831
Dining	-	-	8,824,114	1,808,928	-	-	10,633,042
Resident services	-	-	2,570,687	550,394	-	-	3,121,081
Designated funds	-	-	76,596	6,605	-	-	83,201
Building and grounds	-	-	8,278,072	2,569,596	-	-	10,847,668
Housekeeping	-	-	2,985,351	536,898	-	-	3,522,249
Households / Neighborhoods	-	-	17,555,348	4,238,105	-	-	21,793,453
Shared resources	-	(9,784,088)	-	-	-	-	-
Total operating expenses	35,445	(9,784,088)	60,668,907	17,505,707	705	(663,368)	77,511,951
Excess (deficiency) from operations ¹	85,479	-	(418,361)	4,094,153	(705)	-	3,675,087
Other non-operating changes							
Bequests	-	-	47,497	-	-	-	47,497
Trusts and legacies	-	-	787,084	-	-	-	787,084
Present value change in trusts, with donor restrictions	-	-	6,033,735	-	-	-	6,033,735
Gain (loss) on disposal of property and equipment	-	-	(396,846)	-	-	-	(396,846)
Contributions, other	-	-	48,135	-	-	-	48,135
Contributions, Samaritan funds, with donor restrictions	-	-	832,751	11,581	-	-	844,332
Contributions, restricted funds used for intended purpose	-	-	76,596	6,605	-	-	83,201
Contributions, with donor restrictions	-	-	86,995	490	-	-	87,485
Investment income	-	-	1,277,616	486	340,703	(457,199)	1,161,606
Investment income, with donor restrictions	-	-	133,848	-	-	-	133,848
Net realized gain (loss) on investments	-	-	3,297,038	-	(280,609)	-	3,016,429
Net realized gain on investments, with donor restrictions	-	-	308,475	-	-	-	308,475
Net unrealized gain (loss) on investments	-	-	5,315,635	-	128,439	(206,909)	5,237,165
Net unrealized gain on investments, with donor restrictions	-	-	(448,709)	-	-	-	(448,709)
Interest expense	-	-	(2,552,515)	(3,052,129)	-	512,207	(5,092,437)
Other non-operating charges and fees	(60)	-	(241,814)	(1,483)	(1,018)	-	(244,315)
Transfer to (from) affiliate	-	-	(3,750,005)	-	3,750,005	-	-
Total other non-operating changes	(60)	-	10,855,516	(3,034,450)	3,937,520	(151,901)	11,606,685
Excess (deficiency) ²	\$ 85,419	\$ -	\$ 10,437,155	\$ 1,059,703	\$ 3,936,815	\$ (151,901)	\$ 15,281,772

¹This line item corresponds to the *Change in net assets from operations* line item on the Combining Statement of Activities.

²This line item corresponds to the *Change in net assets* line item on the Combining Statement of Activities.

SUMMARY OF FINANCIAL INFORMATION
 HERMITAGE NORTHERN VIRGINIA
 AS OF MAY 31, 2022 AND 2021

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ 8,289,992	\$ 8,456,800
Total operating expenses	\$ 10,150,482	\$ 11,888,868
Deficiency from operations	\$ (1,860,490)	\$ (3,432,068)
Total non-operating charges and fees	\$ (50,393)	\$ (70,996)
Deficiency	\$ (1,910,883)	\$ (3,503,064)

Narrative on Financial Condition FY 2022:

Hermitage Northern Virginia (“NoVA”) change in net assets from operations is higher year-over-year. While overall average resident census was lower year-over-year, Hermitage Northern Virginia was able to take advantage of Pinnacle Living receiving HHS and FEMA funds for the year.

In June 2022, Pinnacle Living announced the sale of Hermitage Northern Virginia to Goodwin Living.

Summary of Occupancy Information:

	Capacity of Residences ²	Average Occupancy	Percentage Occupancy
Independent Living / Assisted Living ¹	125	83	66%
Health Care	24	19	79%

¹Hermitage Northern Virginia’s residence configuration allows a resident to remain in their residence in either independent living or assisted living. Therefore, independent living and assisted living are combined.

²Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private vs. semi-private room.

SUMMARY OF FINANCIAL INFORMATION
 HERMITAGE RICHMOND
 AS OF MAY 31, 2022 AND 2021

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ 12,727,529	\$ 11,971,168
Total operating expenses	\$ 14,250,616	\$ 14,919,989
Excess from operations	\$ (1,523,087)	\$ (2,948,821)
Total non-operating charges and fees	\$ (369,434)	\$ 479,546
Deficiency)	\$ (1,892,521)	\$ (2,469,275)

Narrative on Financial Condition FY 2022:

Hermitage Richmond (“Richmond”) change in net assets from operations is higher year-over-year. Average census was flat year-over-year. Richmond received funding from HHS and FEMA. Richmond also raised the minimum wage offered to team members to \$15/hr.

Summary of Occupancy Information:

	Capacity of Residences ²	Average Occupancy	Percentage Occupancy
Independent Living / Assisted Living ¹	119	79	66%
Health Care	70	57	81%

¹Hermitage Richmond’s residence configuration allows a resident to remain in their residence in either independent living or assisted living. Therefore, independent living and assisted living are combined.

²Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private vs. semi-private room.

SUMMARY OF FINANCIAL INFORMATION
HERMITAGE ROANOKE
AS OF MAY 31, 2022 AND 2021

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ 3,899,355	\$ 3,549,247
Total operating expenses	\$ 5,774,760	\$ 6,022,288
Deficiency from operations	\$ (1,875,405)	\$ (2,473,041)
Total non-operating charges and fees	\$ (2,177,153)	\$ 5,500,952
Excess (deficiency)	\$ (4,052,558)	\$ 3,027,911

Narrative on Financial Condition FY 2022:

Hermitage Roanoke (“Roanoke”) change in net assets from operations is lower year-over-year. Average census was higher in fiscal 2022. Roanoke received funding from HHS and FEMA. Roanoke also raised the minimum wage offered to team members to \$15/hr. In fiscal 2021, non-operating charges and fees had a large gain in the present value of trusts. The figure is calculated by carrying the trusts Roanoke receives out to perpetuity and discounting those trusts back at a certain interest rate and therefore the calculation is dependent on interest rates and market activity at the balance sheet date. This figure is a generally accepted accounting treatment calculation and is a non-cash item.

Summary of Occupancy Information:

	Capacity of Residences ¹	Average Occupancy	Percentage Occupancy
Independent Living	22	22	100%
Assisted Living	52	40	76%
Health Care	14	10	71%

¹Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private room vs. semi-private room.

SUMMARY OF FINANCIAL INFORMATION
 LYDIA ROPER HOME
 AS OF MAY 31, 2022 AND 2021

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ --	\$ --
Total operating expenses	\$ 35,726	\$ 180,081
Deficiency from operations	\$ (35,726)	\$ (180,081)
Total non-operating charges and fees	\$ 52,137	\$ -
Deficiency	\$ (87,863)	\$ (180,081)

Narrative on Financial Condition FY 2022:

Lydia Roper Home closed effective January 31, 2019 and was sold in this fiscal year for \$799,675.

Summary of Occupancy Information:

	Capacity of Residences	Average Occupancy	Percentage Occupancy
Independent Living / Assisted Living	N/A	N/A	N/A

SUMMARY OF FINANCIAL INFORMATION
CEDARFIELD
AS OF MAY 31, 2022 AND 2021

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ 37,846,166	\$ 34,972,148
Total operating expenses	\$ 30,995,118	\$ 31,758,222
Excess from operations	\$ 6,851,048	\$ 3,213,926
Total non-operating charges and fees	\$ (5,279,894)	\$ 10,262,319
Excess	\$ 1,571,154	\$ 13,476,245

Narrative on Financial Condition FY 2022:

Cedarfield change in net assets from operations is lower year-over-year. Average census was higher in fiscal 2022. Cedarfield received funding from HHS and FEMA. Cedarfield also raised the minimum wage offered to team members to \$15/hr. . Non-operating charges and fees had such a difference due to market investment activity over the past two years.

Summary of Occupancy Information:

	Capacity of Residences ¹	Average Occupancy	Percentage Occupancy
Independent Living	341	317	92%
Assisted Living	65	51	78%
Health Care	60	53	88%

¹Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private room vs. semi-private room.

SUMMARY OF FINANCIAL INFORMATION
WINDSORMEADE
AS OF MAY 31, 2022 AND 2021

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ 113,921,378	\$ 109,718,153
Total liabilities	\$ 140,162,621	\$ 123,511,056
Total net assets	\$ (26,241,243)	\$ (13,792,903)
Statement of Activities Summary:		
Total operating revenues	\$ 20,224,342	\$ 21,599,860
Total operating expenses	\$ 19,422,559	\$ 17,505,707
Excess (deficiency) from operations	\$ 801,783	\$ 4,094,153
Total non-operating charges and fees	\$ (13,250,123)	\$ (3,034,450)
Deficiency	\$ (12,448,340)	\$ 1,059,703

Narrative on Financial Condition FY 2022:

WindsorMeade’s change in net assets from operations is lower year-over-year. Average census was higher in fiscal 2022. WindsorMeade received funding from governmental sources in fiscal 2021 including Health and Human Service payments, payroll protection forgiveness and Virginia aid. In fiscal 2022 WindsorMeade raised the minimum wage offered to team members to \$15/hr. In August 2021, WindsorMeade refinanced its bond obligations causing a loss on defeasance of debt.

Summary of Occupancy Information:

	Capacity of Residences ¹	Average Occupancy	Percentage Occupancy
Independent Living	181	173	95%
Assisted Living	32	28	87%
Health Care	22	17	77%

¹Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private room vs. semi-private room.

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Exhibit B

Pinnacle Living
 Pro Forma Statements of Activities
 Years Ended May 31, 2023 – May 31, 2027

Operating revenues and support	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027
Residents' fees	\$ 55,563,396	\$ 58,063,753	\$ 61,840,913	\$ 64,623,754	\$ 67,531,823
Benevolent care	(520,776)	(544,211)	(568,700)	(594,291)	(621,035)
Amortization of deferred revenue from entrance fees	10,588,000	11,064,460	11,562,361	12,082,667	12,626,387
Ancillary service revenue, net	42,552	44,467	46,468	48,559	50,744
Other operating revenue	7,563,035	3,106,669	3,244,040	3,387,591	3,537,604
Total operating revenue	73,236,207	71,735,138	76,125,082	79,548,280	83,125,523
Operating expenses					
Administrative	10,973,938	11,412,896	11,869,413	12,344,191	12,837,958
Marketing	3,226,154	3,355,200	3,489,408	3,628,985	3,774,146
General overhead	1,175,977	1,223,016	1,271,936	1,322,813	1,375,726
Depreciation	7,629,124	7,934,289	8,251,661	8,581,728	8,924,997
Dining	9,730,214	10,119,423	10,524,200	10,945,168	11,382,975
Resident and social services	2,601,645	2,705,710	2,813,939	2,926,497	3,043,556
Building and grounds	8,639,823	8,985,416	9,344,833	9,718,626	10,107,371
Housekeeping	3,389,747	3,525,337	3,666,349	3,813,003	3,965,524
Neighborhood services	20,167,262	20,973,952	22,638,727	23,544,276	24,486,047
Total operating expense	67,533,884	70,235,239	73,870,466	76,825,287	79,898,300
Change in net assets from operations	5,702,323	1,499,899	2,254,616	2,722,993	3,227,223
Other non-operating changes					
Trusts and legacies	810,000	810,000	810,000	810,000	810,000
Contributions - Samaritan	175,000	175,000	175,000	175,000	175,000
Contributions - without donor restrictions	20,000	20,000	20,000	20,000	20,000
Investment income, net	1,355,000	1,386,714	1,419,632	1,453,373	1,487,957
Interest expense	(4,445,000)	(4,844,000)	(4,631,000)	(4,804,000)	(4,690,000)
Other	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)
Total non-operating changes	(2,277,000)	(2,644,286)	(2,398,368)	(2,537,627)	(2,389,043)
Change in net assets	\$ 3,425,323	\$ (1,144,387)	\$ (143,752)	\$ 185,366	\$ 838,180

See accompanying footnotes

Pinnacle Living
Pro Forma Balance Sheets
May 31, 2023 – May 31, 2027

ASSETS	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027
Current Assets					
Cash and cash equivalents	\$ 9,058,136	\$ 9,596,380	\$ 12,146,239	\$ 14,515,852	\$ 17,208,297
Accounts receivable, residents, net	231,764	242,193	257,960	269,568	281,698
Accrued income receivable	101,705	101,705	101,705	101,705	101,705
Prepaid expenses	250,000	250,000	250,000	250,000	250,000
Assets whose use is limited					
Bond principal fund	2,270,000	2,385,000	2,500,000	2,410,000	2,515,000
Bond interest fund	2,464,000	2,355,500	2,344,500	2,287,500	2,234,500
Deposits, prospective members	225,000	225,000	225,000	225,000	225,000
Other	55,494	55,494	55,494	55,494	55,494
Total current assets	14,656,099	15,211,272	17,880,898	20,115,119	22,871,694
Investments					
Investments, temporarily restricted	52,668,574	53,985,288	55,334,920	56,718,293	58,136,250
Investments, permanently restricted	3,580,516	3,300,818	2,989,638	2,645,088	2,265,180
Beneficial interest in trusts, permanently restricted	2,973,938	2,973,938	2,973,938	2,973,938	2,973,938
Assets whose use is limited					
Capital reserve and replacement fund	4,584,857	-	-	-	-
Debt service reserve fund	7,422,000	7,422,000	7,422,000	7,422,000	7,422,000
Deposits, future list	515,000	515,000	515,000	515,000	515,000
Annuity bonds	35,058	35,058	35,058	35,058	35,058
Other					
Other assets	425,000	425,000	425,000	425,000	425,000
Right-of-Use lease asset	195,000	115,000	35,000	-	-
Property and equipment, net	147,944,018	149,775,322	145,618,950	142,254,820	138,898,333
Total assets	\$ 258,404,398	\$ 257,163,034	\$ 256,634,740	\$ 256,508,654	\$ 256,946,791
LIABILITIES AND NET ASSETS					
Liabilities					
Current Liabilities					
Accounts payable	\$ 2,353,824	\$ 2,447,977	\$ 2,574,679	\$ 2,677,666	\$ 2,784,773
Accrued expenses	7,433,239	7,730,569	8,130,686	8,455,914	8,794,151
Deposits, prospective members	385,000	385,000	385,000	385,000	385,000
Bonds payable	2,270,000	2,385,000	2,500,000	2,410,000	2,515,000
Total current liabilities	12,442,063	12,948,546	13,590,365	13,928,580	14,478,924
Deposits, futures list	475,000	475,000	475,000	475,000	475,000
Bonds payable, net of OIP and BIC	96,768,582	94,300,582	91,720,582	89,425,582	87,025,582
Deferred revenue & Refundable Fees	81,523,373	83,467,913	85,101,552	86,781,885	88,231,498
Other liabilities	270,000	190,000	110,000	75,000	75,000
Total liabilities	\$ 191,479,018	\$ 191,382,041	\$ 190,997,499	\$ 190,686,047	\$ 190,286,004
Net assets					
Total net assets	\$ 66,925,380	\$ 65,780,993	\$ 65,637,241	\$ 65,822,607	\$ 66,660,787
Total liabilities and net assets	\$ 258,404,398	\$ 257,163,034	\$ 256,634,740	\$ 256,508,654	\$ 256,946,791

See accompanying footnotes

Pinnacle Living
Pro Forma Statement of Cash Flows
Years Ended May 31, 2023 – May 31, 2027

	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027
Operating Activities					
Change in net assets	\$ 3,425,323	\$ (1,144,387)	\$ (143,752)	\$ 185,366	\$ 838,180
Adjustments to operating activities					
Amortization of deferred revenue from entrance fees	(10,588,000)	(11,064,460)	(11,562,361)	(12,082,667)	(12,626,387)
Depreciation	7,629,124	7,934,289	8,251,661	8,581,728	8,924,997
Amortization of original issue premium	(708,000)	(198,000)	(195,000)	-	-
Amortization of bond issuance costs	115,000	115,000	115,000	115,000	115,000
Proceeds after first generation entrance fees	12,822,000	13,491,000	13,630,000	14,147,000	14,453,000
Refunds of entrance fees	(676,000)	(668,000)	(620,000)	(570,000)	(563,000)
Proceeds of Pinnacle Advantage membership fees	186,000	186,000	186,000	186,000	186,000
Forgiveness of debt - payroll protection loan	(4,587,820)	-	-	-	-
Change in operating assets	(7,097)	69,571	64,233	23,392	(12,130)
Change in operating liabilities	838,004	311,483	446,819	393,215	445,344
Net cash provided by (used in) operating activities	8,448,534	9,032,496	10,172,600	10,979,034	11,761,004
Investing Activities					
Change in investments	(1,371,929)	(1,037,016)	(1,038,452)	(1,038,823)	(1,038,049)
Change in assets whose use is limited	7,445,000	4,578,357	(104,000)	147,000	(52,000)
Purchase of property and equipment, capital fund	(7,500,000)	(4,584,857)	-	-	-
Purchase of property and equipment, routine	(7,000,000)	(5,180,736)	(4,095,289)	(5,217,598)	(5,568,510)
Net cash provided by (used in) investing activities	(8,426,929)	(6,224,252)	(5,237,741)	(6,109,421)	(6,658,559)
Financing Activities					
Principal payment on Series 2012	(2,160,000)	(2,270,000)	(2,385,000)	(2,500,000)	(2,410,000)
Net cash provided by (used in) financing activities	(2,160,000)	(2,270,000)	(2,385,000)	(2,500,000)	(2,410,000)
Net increase (decrease) in cash and cash equivalents	(2,138,395)	538,244	2,549,859	2,369,613	2,692,445
Cash and cash equivalents, beginning	11,196,531	9,058,136	9,596,380	12,146,239	14,515,852
Cash and cash equivalents, ending	\$ 9,058,136	\$ 9,596,380	\$ 12,146,239	\$ 14,515,852	\$ 17,208,297

See accompanying footnotes

Footnote 1: DISCLOSURE PRINCIPLE DEPARTURES AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS ISSUED BY THE U.S. FINANCIAL ACCOUNTING STANDARDS BOARD

These pro forma statements are not intended to replace disclosures that are a part of audited GAAP financial statements. To gain a better understanding of the Organization, see the most recent audited financial statements. These financial statements may be found on the Electronic Municipal Market Access (“EMMA”) site located at <http://emma.msrb.org/Home>. Search for Virginia United Methodist Homes, Inc. dba Pinnacle Living.

Footnote 2: MEASUREMENT PRINCIPLE DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS ISSUED BY THE U.S. FINANCIAL ACCOUNTING STANDARDS BOARD

A. Cash, cash equivalents and investments

Cash, cash equivalents and investments are separated out between those with or without donor restrictions. To gain a better understanding of Pinnacle Living’s cash, cash equivalents and investments, refer to the audited financial statements.

B. Amortization of deferred revenue from entrance fees

Deferred revenue and refundable fees

The pro-forma statements include assumptions for move-ins, move-outs and transfers between levels of care. These statements use a five-year historical moving average, with reasonable adjustments made by the accounting team in lieu of actuarially determined estimates. These assumptions may affect the estimated deferred revenue and refundable fee amount.

C. Depreciation

Depreciation amounts for assets placed in service, as well as future capital projects, are based on an average estimated life. Actual approved capital projects for the years 2023-2027 may be different than budgeted capital projects.

D. Deferred revenue and refundable fees

These pro forma statements combine deferred revenue and refundable fees together.

E. Net Assets

Net Assets are not broken out to show Without Donor Restrictions and With Donor Restrictions. To gain a better understanding of Pinnacle Living’s Net Assets, refer to the audited financial statements.

F. Statement of Cash Flows

- i. These pro-forma statements summarize the Changes in operating assets and liabilities.
- ii. These pro forma statements show entrance fees net of refunds.
- iii. These pro forma statements summarize the proceeds from sale of investment securities, purchase of investments and withdrawal from investments into one line item called Change in AWUL (Assets whose use is limited) and investments.
- iv. These pro forma statements summarize all principal payments on the senior bonds.

Exhibit C

Pinnacle Living
Pinnacle Advantage Community Based Continuing Care Program
Pro Forma Statements of Activities
Years Ended May 31, 2023 – May 31, 2027

	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027
Operating revenues and support					
Residents' fees	\$ 130,800	\$ 136,687	\$ 142,837	\$ 149,265	\$ 155,982
Amortization of deferred revenue from entrance fees	81,000	84,645	88,454	92,434	96,594
Other operating revenue	2,500	2,613	2,731	2,854	2,982
Total operating revenue	214,300	223,945	234,022	244,553	255,558
Operating expenses					
Administrative	44,837	66,785	69,557	72,445	75,452
Marketing	118,293	123,025	127,946	133,064	138,387
Total operating expense	163,130	189,810	197,503	205,509	213,839
Change in net assets from operations	51,170	34,135	36,519	39,044	41,719
Other non-operating changes					
Total non-operating changes	-	-	-	-	-
Change in net assets	\$ 51,170	\$ 34,135	\$ 36,519	\$ 39,044	\$ 41,719

See Accompanying Footnotes

Pinnacle Living
Pinnacle Advantage Community Based Continuing Care Program
Pro Forma Footnotes
Years Ended May 31, 2023 – May 31, 2027

Footnote 1: DISCLOSURE PRINCIPLE DEPARTURES AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS ISSUED BY THE U.S. FINANCIAL ACCOUNTING STANDARDS BOARD

This pro forma statement is not intended to replace disclosures that are a part of audited GAAP financial statements. To gain a better understanding of the Organization, see the most recent audited financial statements. These financial statements may be found on the Electronic Municipal Market Access (“EMMA”) site located at <http://emma.msrb.org/Home>. Search for Virginia United Methodist Homes, Inc. dba Pinnacle Living.

Pinnacle Advantage is a part of the Pinnacle Living Obligated Group and shares the same EIN number as Pinnacle Living. As such, assets and liabilities of Pinnacle Advantage are the assets and liabilities of Pinnacle Living. Because of this, showing only a balance sheet and statement of cash flows for Pinnacle Advantage may be misleading. Notable Pinnacle Advantage line items, such as entrance fees received, are separated out in the Pinnacle Living full set of pro forma financial statements.