Exhibit K

Resorts of Augsburg

DISCLOSURE STATEMENT

End of Fiscal Year: December 31, 2023

Date Submitted: July 11, 2024

The issuance of a Certificate of Registration does not constitute approval, recommendation, or endorsement of the facility by the Maryland Department of Aging, nor is it evidence of, or does it attest to the accuracy or completeness of the information set out in the disclosure statement.

Table of Contents

1. NAME, ADDRESS, AND DESCRIPTION OF THE FACILITY

The Village at Augsburg went through a change of ownership, effective January 1, 2024. Resorts of Augsburg Corp is the new name, with a dba name or Heritage of Augsburg, and is a continuing care retirement community ("CCRC") with 131 Nursing Care beds, 52 Assisted Living beds and 98 Independent Living apartments. 6825 B Campfield LLC owns all the land occupied by the Nursing Center, Assisted Living and Village. The Nursing Center, Assisted Living and Village are housed in numerous connecting buildings on 6811 and 6825 Campfield Road Baltimore MD.

2. ORGANIZATIONAL STRUCTURE AND MANAGEMENT

Resorts of Augsburg Corp is a for-profit corporation incorporated in the state of Maryland

The president and owner 100% owner is Mindy Rosenberg.

Address- 6811 Campfield Road Baltimore Maryland

Phone number- 732-3356951

The Manager and CEO is Peter Pappas

Address- 6811 Campfield Road Baltimore Maryland

Phone Number- 410-486-4573

3. TAX EXEMPT STATUS

Resorts of Augsburg is a for-profit organization, we are not tax-exempt.

4. AFFILIATION WITH RELIGIOUS ORGANIZATIONS

Resorts of Augsburg have no religious affiliation(s).

5. DESCRIPTION OF FEES

See attached.

Resorts of Augsburg reviews the fee for service annually.

6. OPERATING RESERVE REQUIREMENTS

	12/31/2024
	Projected
Total Operating Expenses	16,521,989
Less:	
Depreciation	(-)
Interest and Amortization	(1,511,532)
Net Operating Expenses	15,010,457
Minimum Statutory Operating Reserve Requirement	25%
Statutory Operating Reserve Requirement	3,752,614
Cash and Cash Equivalents	
And Investments	3,800,000

The Operating Reserve Requirement is kept with Connect One Bank and reviewed annually by Mindy Rosenberg. The reserve is in compliance and is funded at 25% of annual operating expenses. Reserves are expected to continue to meet current and future reserve requirements.

7. FINANCIAL STATEMENT

See financial statements for December 31, 2023 and 2022 for Augsburg Lutheran Home of Maryland, Inc. Titled:

Augsburg Lutheran Home of Maryland Inc.
d/b/a The Village at Augsburg

Financial Statements
December 31, 2023 and 2022

8. LONG TERM FINANCING

Resorts of Augsburg has taken a $18,000,000 loan from Connect One Bank with a five-year loan, with the first two years being interest only.

9. CASHFLOW FORECAST STATEMENT and PROJECTIONS

See attached. Financials have been made after feasibility study was approved by Department

10. NAMES AND OCCUPATIONS OF THE BOARD OF DIRECTOR'S AND OFFICERS
NAME OCCUPATION

Resorts of Augsburg: 100% Mindy Rosenberg (owner)

Address- 6811 Campfield Road Baltimore Maryland

Phone number- 732-3356951

11. PROFESSIONAL SERVICES/FINANCIAL INTEREST

Resorts of Augsburg Corp is a Maryland stock corporation with Mindy Rosenberg as president.

12. ANNUAL MEETING, GOVERNING BODY

Resorts of Augsburg meets twice a year with the subscriber association.

Peter Pappas is selected to meet with the subscriber association.

13. Financial Interest Providing Goods

N/A

14. Entrance Fees

Entrance fee refunds after occupancy are not kept in a trust or escrow.

15. Convicted

Mindy Rosenberg has not been convicted or held liable of, or pleaded nolo contendere to, a felony charge involving fraud, embezzlement, fraudulent conversion, or misappropriation of property or Been subject to an effective injunctive or restrictive order of a court of record arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons; or had any state or federal license or permit suspended or revoked within the past 10 years, as a result of an action brought by a governmental agency arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons

16. SUMARY OF BASIC SERVICES – Skilled Nursing Facility (SNF)

Items and Services Included in the Daily Rate:

A. Room and Board

B. SocialServices

C. Nursing Care, Including:

1. The dispensing of prescribed medications, and treatments.

2. The provision of care to prevent skin breakdown, bedsores and deformities.

3. The provision of care to keep the resident comfortable, clean and well-groomed.

4. The provision of care to protect the resident from accident, injury and infection.

5. The provision of care necessary to encourage, assist and train the resident in selfcare and group activities.

6. Personal laundry.

D. Cable Television, Phone and Wireless Internet access

Items and Services Not Included in Daily Rate of Private Pay Residents:

The items and services available in the facility that are not included in the daily rate are listed below. You may be charged for these items and services if you ask for them and receive them. If you are eligible for Medicare and you believe that Medicare may cover an item or service listed below, you should ask us to submit the bill to Medicare.

A. Medical care, medical specialist's services and consultations, dental care and therapeutic services as ordered by the physician.

B. Medications, eyeglasses, hearing aids, Wander-guard transmitters (or similar), medical and dental appliances and other medical and dental devices or prosthesis.

C. Personal items and services such as clothing, barbers and beauticians, toiletries and sundries that are not normally provided as part of nursing care.

D. Penalties incurred due to late payments of charges.

E. Clinic visits or hospitalization of the Resident.

F. Clinical and laboratory tests and emergency treatments.

G. Ambulance and transportation expenses.

17. SUMMARY OF BASIC SERVICES – Assisted Living

A. Items Included in the Daily Rate:

- Minimal assistance with Activities of Daily Living
- Personal laundry in addition to providing and laundering bed and bath linens.
- Three (3) meals per day and snacks.
- Housekeeping and maintenance of resident units.
- All utilities except private phone.
- Social, educational, devotional, and therapeutic recreation programs.
- Twenty-four (24) hour on-site staffing including emergency access to a licensed nurse.
- Use, with others, of all common areas including Lounges; Dining Room; Activity Area; Porch; Laundry; Nourishment Rooms; and outdoor areas.
- Medication Administration

B. Optional Services (Available at extra cost):

- Beauty Shop Services
- Additional assistance with Activities of Daily Living
- Transportation
- Cable Television Phone and Wireless Internet (normal rates apply)
- Dietitian Supervised Meals
- Physical, Occupational and Speech Therapy
- Medical and Pharmacy Supplies
- Physician Visits, Including some Specialists
- Temporary Treatments requiring a Licensed Nurse.

- Repairs to Resident's Belongings.
- Tray Service to Resident's Unit.

18. SUMMARY OF BASIC SERVICES – Independent Living

A. Items Included in the Monthly Service Fee:

- Main (evening Meal Daily)
- Monthly Housekeeping
- Weekly Flat Linen Service
- Scheduled Local Transportation
- 24-hour Emergency Call Response
- Trash Removal
- Parking
- Security Alarm System
- Building & Ground Maintenance
- Water & Sewer Utilities
- Community Activities
- Access to Community Facilities
- Maintenance and Replacement of Apartment Appliances and Equipment

B. Optional Services at an Extra Charge:

- Guest Meals and Accommodations
- Meal Tray Service
- Dietician Supervised Meals
- Individual Transportation
- Pharmacy and Medical Lab Services
- Physician Visits Weekly
- Nursing Care (Health Center)
- Cable TV
- Additional Housekeeping and Laundry Services
- Beauty Shop

Residents of the Independent Living apartments are given priority over the general public for admission to skilled nursing and assisted living. In the event bed space is not available, Independent Living residents will receive assistance in obtaining space elsewhere at the residents' own cost. Each level of care involves a separate contract and any admissions to Independent Living, Assisted Living or Nursing Home from another level of care and, in the case of discharge. Independent Living residents transferring to the Nursing Home or Assisted Living will receive any refunds when their unit is reoccupied. The staff will answer any health emergency calls for Independent Living residents while they are present on the campus. The facility's licensed personnel will, when necessary, provide appropriate emergency service or summon appropriate emergency personnel such as a physician, ambulance or medical personnel. One emergency call per month is included in the basic monthly service charge. Each emergency response by nursing personnel beyond the first call monthly will be paid by the Independent Living resident.

19. Grievance Procedure

Resorts at Augsburg, also known as the "Provider," has established an internal grievance procedure to address resident grievances. A resident or group of residents may collectively submit a written grievance to the Executive Director of the Provider. The Provider will send a written acknowledgment to the resident or group of residents within 5 days after receipt of the written grievance. The Provider will assign personnel to investigate the grievance. A resident or group of residents who file a written grievance has the right to meet with management of the Provider within 30 days after receipt of the written grievance to present the grievance. The Provider will respond in writing within 45 days after receipt of the written grievance regarding the investigation and resolution of the grievance.

Within 30 days after the Provider provides its response to the grievance, a resident, group of residents, or Provider may seek mediation through one of the Community Mediation Centers in the State or another mediation provider. If the Provider, resident, or group of residents seeks mediation under the preceding sentence, the mediation shall be nonbinding.

20. Resident Council

The facility's Health Center has a Resident Council that meets monthly. All Health Center Residents are invited; however, attendance averages about 30, as many are unable to participate. In addition to staff, a member of the Board of Directors attends each meeting and the Baltimore County Ombudsman attends many meetings. The facility's Assisted Living has a Resident Council that meets monthly. Members visit all residents and bring their concerns to the meeting. Staff members and a member of the Board of Directors attend each meeting. Four times each year, all residents are invited to the meeting.

The purpose of the Resident Council is to:

1. Provide a forum for communication between residents and staff.

2. Educate and inform residents about available services.

3. Establish a sense of belonging in residents and an opportunity to participate in decision making.

4. Support residents in their adjustment to the facility.

All Independent Living residents are members of the Resident Association. The purpose of the Association is to:

1. Enhance the welfare of the residents by seeking and promoting all possible ways to make their lives interesting, enjoyable and beneficial.

2. Promote fellowship, mutual concerns and participation in cultural activities, such as study groups, discussion groups, craft program, Bible class, etc.

3. Function as a liaison between the Independent Living Residents and the Executive Director and Board of Directors. The Association's By-laws and any existing and future amendments must be approved by the Board of Directors. The Association meets monthly with occasional additional meetings scheduled as needed.

21. Renewal and Replacement of Buildings,

TVAA budgets significant funds annually to ensure proper upkeep of buildings. In addition, a three-year capital improvement plan is made part of the strategic planning process. TVAA holds significant unrestricted reserves in case of an emergency capital need.

Resorts of Augsburg budgets funds annually to ensure maintenance of the campus.

22. Planned Renovation and Expansion

See Exhibit M for planned renovations

23. OTHER DISCLOSED INFORMATION

N/A

AMENDMENTS TO THIS DOCUMENT

Resorts of Augsburg shall amend its disclosure statement if, at any time, in the opinion of Augsburg or the Maryland Department of Aging, and amendment is necessary to prevent the disclosure statement from containing any material misstatement of fact required by this section to be stated in the disclosure statement or omission of a material fact required by this section to be stated in the disclosure statement.

Exhibit M

Renovating hallways ceiling, flooring, painting, lighting, outlets, door trims and doors for units and hallways for 1,2,3,4,5,6, at $40,000 a unit.
Renovating movie Theater $30,000
Renovating game room $30,000
Gym $40,000
Dining room small $20,000
Dinning room large $40,000

Resorts at Augsburg Corp

3 Year Cash Flow

	Jan-Dec 2024	Jan-Dec 2025	Jan-Dec 2026
Net Income	788,906	768,309	1,132,076
Depreciation	985,364	1,066,364	1,079,364
Amortization	40,000	40,000	40,000
Cash Flows from Operating Activities			
Accounts Receivable	(1,000,000)	-	-
Accounts Payable	1,000,000	-	-
Life Care Liability	9,000,000	(2,800,000)	(1,250,000)
Cash Flows from Investing Activities			
Capital Purchases	(27,850,000)	(810,000)	(130,000)
Capitalized Finance Costs	(400,000)	-	-
Cash Flows from Financing Activities			
Buyer's Note	5,000,000	-	-
Increase (Decrease) in Long Term Debt	16,300,000	1,700,000	-
Net Change in Cash	3,864,270	(35,328)	871,440
Beginning Cash	-	3,864,270	3,828,942
Ending Cash	3,864,270	3,828,942	4,700,382

Augsburg Lutheran Home of Maryland, Inc.
d/b/a The Village at Augsburg

Financial Statements

December 31, 2023 and 2022

Table of Contents
December 31, 2023 and 2022

Independent Auditors' Report

To the Board of Trustees of
Augsburg Lutheran Home of Maryland, Inc.
d/b/a The Village at Augsburg

Opinion

We have audited the financial statements of Augsburg Lutheran Home of Maryland, Inc. d/b/a The Village at Augsburg (TVAA), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TVAA as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter Regarding the Sale of TVAA

As discussed in Note 1 to the financial statements, during 2023, TVAA entered into an asset purchase agreement in which substantially all assets and certain liabilities, used in or incidental to the conduct of the business were sold. The financial statements include activity as a result of this transaction. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audits of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TVAA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TVAA's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

New Castle, Pennsylvania
March 29, 2024

Augsburg Lutheran Home of Maryland, Inc.
d/b/a The Village at Augsburg

Balance Sheets
December 31, 2023 and 2022

Assets	2023	2022
Current Assets		
Cash and cash equivalents	$ 563,047	$ 4,808,771
Note receivable	1,000,000	-
Accounts receivable, net	928,916	1,402,889
Prepaid expenses and other assets	30,094	169,281
Current portion of pledges receivable	18,275	41,000
Total current assets	2,540,332	6,421,941
Assets Whose Use is Limited	4,610,664	2,714,855
Investments	303,839	5,209,213
Goodwill	-	2,000,000
Property and Equipment, Net	-	27,988,975
Funds Held in Trust by Others	573,492	535,236
Due From Affiliate, Net	716,835	-
Pledges Receivable, Net	22,651	40,500
Total assets	$ 8,767,813	$ 44,910,720

Liabilities and Net Assets	2023	2022
Current Liabilities		
Accounts payable, trade	$ 409,358	$ 116,436
Accrued expenses	2,076,711	1,279,358
Accrued interest	-	48,836
Current portion of long-term debt	-	811,000
Total current liabilities	2,486,069	2,255,630
Deferred Revenue From Entrance Fees	-	2,739,454
Refundable Entrance Fees	-	9,922,961
Resident Deposits	-	120,434
Long-Term Debt, Net	-	11,429,760
Due to Affiliate, Net	-	4,877,692
Total liabilities	2,486,069	31,345,931
Net Assets		
Without donor restrictions	5,614,183	12,894,584
With donor restrictions	667,561	670,205
Total net assets	6,281,744	13,564,789
Total liabilities and net assets	$ 8,767,813	$ 44,910,720

See notes to financial statements

Augsburg Lutheran Home of Maryland, Inc.
d/b/a The Village at Augsburg

Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions		
Revenue:		
Net resident service revenue; including amortization of entrance fees 2023 $651,375; 2022 $462,758	$ 16,897,015	$ 15,817,061
Gain on disposal of assets	2,437,010	-
Grant funding	-	438,655
Net assets released from restriction	24,390	119,019
Total operating revenue	19,358,415	16,374,735
Operating expenses:		
Salaries and wages	10,207,373	9,082,195
Employee benefits and payroll taxes	2,087,673	1,790,575
Professional fees	3,845,281	2,228,508
Ancillary and medical	1,070,192	904,829
Supplies	477,160	506,520
Food services	811,551	797,105
Utilities	1,165,181	1,028,018
Depreciation	2,858,261	3,075,690
Interest	627,318	494,550
Insurance	899,627	392,611
Real estate taxes	114,897	146,157
Repairs and maintenance	572,111	462,699
Advertising and marketing	130,633	159,807
Licenses, dues and subscriptions	480,969	352,131
Other operating expenses	583,311	225,589
Credit loss expense	204,958	153,335
Management fees	1,410,851	-
Total operating expenses	27,547,347	21,800,319
Deficiency of operating revenue over expenses	(8,188,932)	(5,425,584)
Nonoperating revenue (expense):		
Loss on extinguishment of debt	(395,451)	-
Contributions	104,564	203,444
Interest and dividends	206,107	69,990
Other income	43,969	92,313
Realized gains	114,793	720,536
Unrealized gains (losses)	834,549	(1,795,541)
Total nonoperating revenue (expense)	908,531	(709,258)
Deficiency of operating and nonoperating revenue over expenses	(7,280,401)	(6,134,842)
Other changes:		
Equity transfer	-	2,200,000
Change in net assets without donor restrictions	$ (7,280,401)	$ (3,934,842)

See notes to financial statements

Augsburg Lutheran Home of Maryland, Inc.
d/b/a The Village at Augsburg

Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions		
Deficiency of operating and nonoperating revenue over expenses	$ (7,280,401)	$ (6,134,842)
Equity transfer	-	2,200,000
Change in net assets without donor restrictions	(7,280,401)	(3,934,842)
Changes in Net Assets With Donor Restrictions		
Contributions and other changes	(16,510)	204,160
Change in value of funds held in trust by others	38,256	(156,940)
Net assets released from restriction	(24,390)	(119,019)
Change in net assets with donor restrictions	(2,644)	(71,799)
Change in net assets	(7,283,045)	(4,006,641)
Net Assets, Beginning	13,564,789	17,571,430
Net Assets, Ending	$ 6,281,744	$ 13,564,789

See notes to financial statements

Augsburg Lutheran Home of Maryland, Inc.
d/b/a The Village at Augsburg

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ (7,283,045)	$ (4,006,641)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,858,261	3,075,690
Provision for credit losses	204,958	153,335
Equity transfer	-	(2,200,000)
Amortization of deferred financing costs	31,789	34,678
Amortization of entrance fees	(651,375)	(462,758)
Proceeds from entrance fees	1,373,302	995,511
Realized gains	(114,793)	(720,536)
Unrealized (gains) losses	(834,549)	1,795,541
(Gain) loss on funds held in trust	(38,256)	156,940
Loss on extinguishment of debt	395,451	-
Gain on disposal of assets	(2,437,010)	-
Changes in assets and liabilities:		
Accounts and notes receivable	269,015	(501,365)
Prepaid expenses and other assets	139,187	29,483
Accounts payable, trade and accrued expenses	1,041,439	(400,935)
Net cash used in operating activities	(5,045,626)	(2,051,057)
Cash Flows From Investing Activities		
Net proceeds from sales of investments and assets whose use is limited	3,838,148	(54,147)
Purchases of property and equipment	(812,349)	(1,240,371)
Proceeds from sale of assets	17,000,000	-
Net cash provided by (used in) investing activities	20,025,799	(1,294,518)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(12,668,000)	(790,525)
Net change in resident deposits	(120,434)	(16,191)
Proceeds from refundable entrance fees, turnover units	1,373,302	1,121,301
Refunds of entrance fees	(2,377,571)	(1,383,909)
Change in pledges receivable	40,574	(69,104)
Equity transfer	-	2,200,000
Change in due to affiliate, net	(5,594,527)	3,356,379
Net cash provided by (used in) financing activities	(19,346,656)	4,417,951
Net change in cash and cash equivalents and restricted cash	(4,366,483)	1,072,376
Cash and Cash Equivalents and Restricted Cash, Beginning	4,982,674	3,910,298
Cash and Cash Equivalents and Restricted Cash, Ending	$ 616,191	$ 4,982,674

See notes to financial statements

Augsburg Lutheran Home of Maryland, Inc.
d/b/a The Village at Augsburg

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents	$ 563,047	$ 4,808,771
Resident deposits	-	120,434
Cash, restricted by donors or grantors for specific purposes	53,144	53,469
	$ 616,191	$ 4,982,674
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 644,365	$ 442,536
Supplemental Schedule of Noncash Investing and Financing Activity		
Noncash proceeds from sale of assets	$ 13,380,073	$ -

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Augsburg Lutheran Home of Maryland, Inc. d/b/a The Village at Augsburg (TVAA) is a not-for-profit corporation that was incorporated in the state of Maryland in 1892. TVAA operates a retirement community in Baltimore, Maryland, which includes 131 independent living units, 64 assisted living units, and 131 skilled nursing beds (of which 107 were operational during 2023).

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

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

Sale of TVAA and Transfer of Operations

In September 2023, an asset purchase agreement (APA) was entered into with 6825 B Campfield LLC (parent of unrelated Buyers). The APA closed on December 27, 2023, in which substantially all assets and certain liabilities, used in or incidental to the conduct of the business were sold to the Buyers. Due to the Maryland Department of Aging's timing requirement relative to the issuance of licenses, the Operations Transfer Agreement (OTA) was effective on January 1, 2024, therefore, TVAA retained the operations through December 31, 2023. TVAA paid four days rent amounting to approximately $8,000. The consolidated financial statements as of and for the year ended December 31, 2023, include the following material components in connection with this transaction:

- Purchase price: $18,000,000
- Payoff of debt: $11,857,000 (Note 8)
- Loss on extinguishment of debt: $395,451 (Note 8)
- Legal and broker fees: $957,000 (included in professional fees on the statement of operations)
- Note receivable: $1,000,000 (Note 1 - Note Receivable)
- Net gain on sale of disposal group: $2,437,010 (statement of operations)

The net gain on sale of disposal group was calculated as follows:

Purchase price	$ 18,000,000
Less:	
Property and equipment, net	(25,943,062)
Goodwill	(2,000,000)
Add:	
Deferred revenue from entrance fees	3,368,100
Refundable entrance fees	9,011,972
Gain on disposal of assets	$ 2,437,010

In February 2024, the board of directors approved an amendment to TVAA's articles of incorporation, creating a new operating policy for TVAA as a charitable foundation. The name was changed to Augsburg Lutheran Home of Maryland, Inc. d/b/a Augsburg Acorn Foundation (Foundation). The Foundation's mission is to provide benevolent care funding.

Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are reported net of an allowance for credit losses, which represents TVAA's estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the TVAA's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, and expected future economic conditions and market trends. Adjustments are made to the allowance as necessary. The allowance for credit losses was $182,904 and $161,073 as of December 31, 2023 and 2022, respectively.

Note Receivable

Recorded in connection with the transaction outlined in Note 1 (Sale of TVAA and Transfer of Operations) in the amount $1,000,000, due in December 2024, which includes a provision to settle potential outstanding items. The amount is included in the calculation of gain on disposal of assets on the consolidated statement of operations for the year ended December 31, 2023, as management expects to receive the full amount.

Pledges Receivable

Pledges receivable are stated at outstanding balances and are discounted for their present value. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. An allowance for uncollectable pledges is based on management's assessment of the collectability of pledges receivable and was $10,555 and $33,230 as of December 31, 2023 and 2022, respectively.

Goodwill

TVAA tests for goodwill impairment upon the occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying amount and has elected to perform this test at the entity level. If events or circumstances are present that may indicate the fair value of the entity is less than its carrying value, the estimated fair value of the entity is compared to its carrying amount and an impairment loss is recognized for the excess of the carrying amount over fair value (if any), not to exceed the carrying amount of goodwill. No indicators of impairment were identified during the year ended December 31, 2022. Goodwill was written off as a result of the sales transaction outlined in Note 1 (Sale of TVAA and Transfer of Operations).

Assets Whose Use is Limited and Investments

Assets held as operating reserves, resident deposits, and restricted cash are classified as assets whose use is limited and are reported separately on the accompanying balance sheets. Investments are reported on the accompanying balance sheets at fair value, based on quoted market prices as provided by a national exchange. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets.

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

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

Property and Equipment

Property and equipment are reported at cost or, if donated, at fair value. Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives (3-40 years). TVAA's capitalization policy is to review invoices in excess of $5,000 to determine if they should be capitalized. The general range of estimated useful lives is 3-20 years for furniture and equipment and 15-40 years for buildings and building and land improvements. Expenditures that extend the useful lives of the asset or significantly increase their capacity are capitalized.

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

Funds Held in Trust by Others

TVAA has been named as a beneficiary of a perpetual trust which is administered and controlled by an independent trustee. Perpetual trusts are valued based upon the fair value of the underlying investments. The change in the fair value perpetual trusts is reported as a change in net assets with donor restrictions.

Entrance Fees

TVAA's policy requires payment of an entrance fee for admittance to an independent living and assisted living residence under a type C fee-for-service contract. TVAA offers a 50% guaranteed refund and an 80% guaranteed refund entrance fee option. Should the resident terminate the residence agreement after a designated trial period of six months, a refund (either 50% or 80%) will be made only after TVAA has entered into a residence agreement with a new resident for that unit. Termination of the residence agreement prior to the completion of the trial period results in a 100% refund of the entrance fee.

The nonrefundable portion of the entrance fees are accounted for as deferred revenue from entrance fees and are amortized into earned revenue using the straight-line method over the estimated remaining life expectancy of the residents over the contractual term of the contract. At the time of death or contract termination, the remaining nonrefundable balance is recognized as revenue. The remaining life expectancy of the residents is adjusted annually based on actuarial information. The refundable portion of the entrance fees is not amortized into income and is reported as refundable entrance fees liability on the balance sheets. Guaranteed contractual refund obligations amounted to $0 and $9,922,961 as of December 31, 2023 and 2022, respectively.

Deferred Financing Costs

Financing costs were incurred in connection with the issuance of long-term debt. These costs are reported on the accompanying balance sheets as a reduction of long-term debt and are being amortized over the life of the debt using the straight-line method, which approximates the effective interest method. The amortization of deferred financing costs, included in interest expense on the accompanying statements of operations, totaled $31,789 and $34,678 for the years ended December 31, 2023 and 2022, respectively. Accumulated amortization was $0 and $382,646 as of December 31, 2023 and 2022, respectively. In December 2023, TVAA paid off all outstanding long-term debt (Note 1). Accordingly, TVAA recognized a loss on unamortized debt issuance costs of $395,451 for the year ended December 31, 2023.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

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

Net Resident Service Revenue

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

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

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

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

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

Other Resident Services - Other resident services revenue includes services such as housekeeping, laundry, transportation, medical supplies and other revenue from residents.

TVAA has determined that other resident services revenue is considered one performance obligation which is satisfied over time as services are provided. Therefore, other resident services revenue is recognized on a daily basis as services are rendered.

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

Revenue from nonrefundable entrance fees received is recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which during the contractual term of the contract approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenue from entrance fees on the balance sheets. Amortization of nonrefundable entrance fees included in net resident service revenue was $651,375 in 2023 and $462,758 in 2022.

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

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

	2023				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	$ 1,870,468	$ 1,567,292	$ 2,634,896	$ 67,447	$ 6,140,103
Medicare	2,001,018	-	-	-	2,001,018
Medical assistance	6,839,463	-	-	-	6,839,463
Commercial insurance	1,265,056	-	-	-	1,265,056
Amortization of nonrefundable entrance fees	-	-	651,375	-	651,375
Total	$ 11,976,005	$ 1,567,292	$ 3,286,271	$ 67,447	$ 16,897,015

	2022				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	$ 2,236,988	$ 1,403,566	$ 2,548,548	$ 53,085	$ 6,242,187
Medicare	1,720,208	-	-	-	1,720,208
Medical assistance	6,669,700	-	-	-	6,669,700
Commercial insurance	722,208	-	-	-	722,208
Amortization of nonrefundable entrance fees	-	-	462,758	-	462,758
Total	$ 11,349,104	$ 1,403,566	$ 3,011,306	$ 53,085	$ 15,817,061

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

Medical Assistance - Under the Maryland Medical Assistance Program's case-mix reimbursement system, the determination of reimbursement rates for skilled nursing costs is based upon a recipient's dependency in Activities of Daily Living (ADLs) and need for and receipt of ancillary nursing services. Each recipient is assigned a reimbursement level depending on his or her degree of dependency in ADLs.

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

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

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

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

Advertising

TVAA expenses advertising costs as incurred. Advertising expenses totaled $130,633 and $159,807 for the years ended December 31, 2023 and 2022, respectively.

Deficiency of Operating and Nonoperating Revenue Over Expenses

The statements of operations include the determination of deficiency of operating and nonoperating revenue over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from the performance indicator, consistent with industry practice, include an equity transfer.

Income Tax Status

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

Accounting principles generally accepted in the United States of America require an organization to evaluate tax positions taken by TVAA and recognize a tax liability or asset if TVAA has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). TVAA has concluded that as of December 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. Generally, tax returns for years ended December 31, 2020, and thereafter remain subject to examination by federal and state tax authorities.

Reclassifications

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

Subsequent Events

In preparing these financial statements, TVAA evaluated events that occurred through March 29, 2024, the date the financial statements were issued, for potential recognition or disclosure.

Recent Accounting Pronouncements

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

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

ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

During March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. For all entities: Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020, and through December 31, 2024. The adoption of ASU No. 2021-08 did not have a material effect on TVAA's balance sheets, results of operations or cash flows.

2. Liquidity and Availability of Resources

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

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 563,047	$ 4,808,771
Accounts and note receivable, net	1,928,916	1,402,889
Investments	303,839	5,209,213
Total financial assets	$ 2,795,802	$ 11,420,873

As part of TVAA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. TVAA invests cash in excess of daily requirements in short-term investments. Certain of the donor purpose restricted funds may be utilized as the restrictions are satisfied. As stated in Note 6, TVAA designated a portion of its investments as an operating reserve to comply with the requirements of the Maryland Department of Aging Reserve Requirements and thus they are not included in the schedule above.

3. Concentrations of Credit Risk

TVAA grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicare and various commercial insurance companies.

TVAA maintains cash, restricted cash and cash equivalents accounts, which, at times, may exceed federally insured limits. TVAA has not experienced any losses from maintaining cash and cash equivalents accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash, restricted cash and cash equivalents.

4. Investments and Assets Whose Use is Limited

The investments and assets whose use is limited are presented on the balance sheets as follows as of December 31:

	2023	2022
Investments	$ 303,839	$ 5,209,213
Assets whose use is limited:		
Operating reserve (Note 6)	$ 4,557,520	$ 2,540,952
Resident deposits	-	120,434
Cash, restricted by donors or grantors for specific purposes	53,144	53,469
Assets whose use is limited	$ 4,610,664	$ 2,714,855

5. Fair Value Measurements

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

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

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

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

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

	2023				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets whose use is limited and investments:					
Cash and cash equivalents	$ 1,951,984	$ 1,951,984	$ 1,951,984	$ -	$ -
Equity securities:					
Consumer discretionary	246,509	246,509	246,509	-	-
Consumer staples	431,770	431,770	431,770	-	-
Energy	268,072	268,072	268,072	-	-
Financial	291,605	291,605	291,605	-	-
Industrials	249,052	249,052	249,052	-	-
Information technology	377,552	377,552	377,552	-	-
Materials	39,901	39,901	39,901	-	-
Utilities	46,169	46,169	46,169	-	-
Mutual funds:					
Equity	262,840	262,840	262,840	-	-
Fixed income securities:					
Corporate bonds	749,049	749,049	499,624	249,425	-
Subtotal	4,914,503	4,914,503	4,665,078	249,425	-
Funds held in trust by others	573,492	573,492	-	-	573,492
Total assets	$ 5,487,995	$ 5,487,995	$ 4,665,078	$ 249,425	$ 573,492

	2022				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets whose use is limited and investments:					
Cash and cash equivalents	$ 2,277,017	$ 2,277,017	$ 2,277,017	$ -	$ -
Equity securities:					
Consumer discretionary	568,074	568,074	568,074	-	-
Consumer staples	995,003	995,003	995,003	-	-
Energy	617,764	617,764	617,764	-	-
Financial	671,996	671,996	671,996	-	-
Industrials	573,934	573,934	573,934	-	-
Information technology	870,059	870,059	870,059	-	-
Materials	91,951	91,951	91,951	-	-
Utilities	31,189	31,189	31,189	-	-
Mutual funds:					
Equity	487,013	487,013	487,013	-	-
Fixed income securities:					
Corporate bonds	740,068	740,068	493,633	246,435	-
Subtotal	7,924,068	7,924,068	7,677,633	246,435	-
Funds held in trust by others	535,236	535,236	-	-	535,236
Total assets	$ 8,459,304	$ 8,459,304	$ 7,677,633	$ 246,435	$ 535,236

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

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

The following methods have been used by TVAA in estimating the fair value on a recurring basis of its financial instruments. There have been no changes in the methodologies used as of December 31, 2023 or 2022:

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

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

Fixed Income Securities and Other - Fair values of these items, which are the amounts reported on the balance sheets, are estimated using quoted prices for similar securities.

Funds Held in Trust by Others - Valued based on the fair value of the trusts' underlying assets, which approximates the discounted present value of future cash flows.

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

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

6. Maryland Department of Aging Reserve Requirements

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

The calculation of the required minimum statutory operating reserve for the year ended December 31, 2023, is as follows:

Total operating expenses for fiscal year ended December 31, 2022	$ 21,800,319
Less:	
Depreciation	(3,075,690)
Interest	(494,550)
Adjusted operating expenses	$ 18,230,079
Funding requirement (25% of operating expenses)	$ 4,557,520

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

7. Property and Equipment

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

	2023	2022
Land	$ -	$ 5,000,000
Land improvements	-	3,497,038
Buildings and building improvements	-	51,638,223
Furniture and equipment	-	14,823,065
Construction in progress	-	432,265
	-	75,390,591
Less accumulated depreciation	-	(47,401,616)
	$ -	$ 27,988,975

In December 2023, TVAA closed on an asset purchase agreement in which substantially all assets and certain liabilities, used in or incidental to the conduct of the business were sold (Note 1).

8. Long-Term Debt

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

	2023	2022
Series 2013 A and B Maryland Health and Higher Educational Facility Authority Revenue Bonds, payable in monthly installments to satisfy annual debt service requirements through December 2035. Series A interest is payable at variable rates of 4.90% and 5.02% as of December 31, 2023 and 2022, respectively. Series B interest is payable at a fixed rate of 3.95%. The bonds are secured by property and certain other assets of TVAA. The Bonds were fully redeemed during 2023.	$ -	$ 12,668,000
	-	12,668,000
Less current portion	-	811,000
Less deferred financing costs	-	427,240
Total long-term debt	$ -	$ 11,429,760

During the year ended December 31, 2023, TVAA redeemed its Series 2013 A and B Maryland Health and Higher Educational Facility Authority Revenue Bonds, with the proceeds from the transaction outlined in Note 1. This transaction resulted in the recognition of a loss on extinguishment of debt in the amount of $395,451 for the year ended December 31, 2023.

Interest expense in connection with long-term debt totaled $594,410 and $458,299 for the years ended December 31, 2023 and 2022, respectively.

9. Net Assets

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

	2023	2022
Net assets:		
Without donor restrictions:		
Undesignated	$ 1,056,663	$ 10,353,632
Maryland Department of Aging reserve requirements	4,557,520	2,540,952
	5,614,183	12,894,584
With donor restrictions:		
Purpose restricted for:		
Operations	94,069	134,969
Perpetual trusts	573,492	535,236
	667,561	670,205
Total net assets	$ 6,281,744	$ 13,564,789

For the years ended December 31, 2023 and 2022, net assets of $24,390 and $119,019, respectively, were released from donor restrictions to satisfy restricted purposes.

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

10. Related-Party Transactions

NLI is the sole member of TVAA and provides support in the form of management and support services in exchange for management fees. TVAA incurred management fees to NLI totaling $1,410,851 for the year ended December 31, 2023. Due to the financial needs of TVAA in 2022, NLI, agreed to the deferral of management fees for the year ended December 31, 2022. Additionally, NLI completed a net asset transfer of $2,200,000 to TVAA for the year ended December 31, 2022, which is reported as other changes on the statement of operations.

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

The following represents the net amount due (to) from an affiliated organization as of December 31:

	2023	2022
National Lutheran, Inc.	$ 716,835	$ (4,814,099)
Other affiliated organizations	-	(63,593)
	$ 716,835	$ (4,877,692)

11. Expenses by Nature and Function

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

	2023		
	Resident Services	General and Administrative	Total
Salaries and wages	$ 9,500,011	$ 707,362	$ 10,207,373
Employee benefits and payroll taxes	1,963,502	124,171	2,087,673
Professional fees	2,768,870	1,076,411	3,845,281
Ancillary and medical	1,070,192	-	1,070,192
Supplies	451,191	25,969	477,160
Food services	801,866	9,685	811,551
Utilities	1,042,393	122,788	1,165,181
Depreciation	2,858,261	-	2,858,261
Interest	595,529	31,789	627,318
Insurance	899,627	-	899,627
Real estate taxes	114,897	-	114,897
Repairs and maintenance	515,535	56,576	572,111
Advertising and marketing	130,462	171	130,633
Licenses, dues and subscriptions	292,509	188,460	480,969
Other operating expenses	230,251	353,060	583,311
Credit loss expense	204,958	-	204,958
Management fees	-	1,410,851	1,410,851
Total	$ 23,440,054	$ 4,107,293	$ 27,547,347

	2022		
	Resident Services	General and Administrative	Total
Salaries and wages	$ 8,344,775	$ 737,420	$ 9,082,195
Employee benefits and payroll taxes	1,634,411	156,164	1,790,575
Professional fees	1,604,681	623,827	2,228,508
Ancillary and medical	904,829	-	904,829
Supplies	492,298	14,222	506,520
Food services	779,943	17,162	797,105
Utilities	919,684	108,334	1,028,018
Depreciation	3,075,690	-	3,075,690
Interest	459,872	34,678	494,550
Insurance	392,611	-	392,611
Real estate taxes	146,157	-	146,157
Repairs and maintenance	398,900	63,799	462,699
Advertising and marketing	159,591	216	159,807
Licenses, dues and subscriptions	166,707	185,424	352,131
Other operating expenses	152,029	73,560	225,589
Credit loss expense	153,335	-	153,335
Total	$ 19,785,513	$ 2,014,806	$ 21,800,319

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

12. Benevolent Care

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

TVAA maintains records to identify and monitor the level of benevolent care it provides. The estimated cost of providing benevolent care is based upon the direct and indirect costs identified with the specific benevolent care provided. The amount by which costs exceeded revenues for the Medicaid program amounted to approximately $2,783,000 and $760,000 for the years ended December 31, 2023 and 2022, respectively. The cost of assisted living benevolent care amounted to approximately $776,000 and $514,000 for the years ended December 31, 2023 and 2022, respectively. The cost of independent living benevolent care amounted to approximately $83,000 and $71,000 for the years ended December 31, 2023 and 2022, respectively. TVAA received contributions of approximately $17,000 and $21,000 for the years ended December 31, 2023 and 2022, respectively, to offset or subsidize benevolent care services provided.

13. Pension Plan

TVAA has a 403(b) defined contribution plan (Plan). Under the terms of the Plan, employees are immediately eligible to contribute pre-tax dollars to the Plan. In addition, employees are eligible to receive matching employer contributions of up to 3.5% of base salary after one year of qualifying service, defined as 20 or more hours per week. Employer contributions totaled $134,596 and $129,395 for the years ended December 31, 2023 and 2022, respectively, and are recorded with employee benefits and payroll taxes on the statements of operations. On December 31, 2020, the participants of the Plan were notified of Plan termination effective January 1, 2021, and all Plan assets were subsequently transferred to NLI's defined contribution plan, consistent with all other NLCS subsidiaries. Termination of the Plan was in accordance with the Employee Retirement Income Security Act (ERISA) standards.

14. Medical Malpractice and General Liability Claims Coverage

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

15. Commitments and Contingencies

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

16. COVID-19 Funding

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

Included on the statements of operations for the year ended December 31, 2022, is $182,441 related to a 2% rate supplement passed through to the Maryland state Medicaid program from the American Rescue Plan Act (ARPA). Payments received subsequent to year end are included in accounts receivable on the balance sheet and totaled $63,052, as of December 31, 2022. These funds were allocated based on TVAA's Medicaid revenues for the previous two fiscal years and were intended to provide assistance with maintaining operations and keeping residents and staff safe during the pandemic. Additionally, through ARPA, TVAA was awarded and recognized funding amounting to $256,214, for the year ended December 31, 2022, through the Maryland State and Local Fiscal Grant program, of which $102,670, is included in accounts receivable on the balance sheet as of December 31, 2022. The funds were used to address the urgent needs of the facility for additional staffing, supplies, testing and therapeutics.