October 31, 2021

1001 E. Oregon Rd
Lititz PA 17543-9206
(717) 569-3271

NOTE: Issuance of a Certificate of Authority by the Pennsylvania Insurance Department does not constitute approval, recommendation or endorsement of Landis Homes Retirement Community by the Department, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set out in this disclosure statement.

Table of Contents

Page

RESIDENT DISCLOSURE STATEMENT
(Section 151.7 of Regulations)

1) Facilities:

Landis Homes Retirement Community
1001 Oregon Road,
Lititz, PA 17543

2) Licensed Provider:

Landis Homes Retirement Community
1001 Oregon Road,
Lititz, PA 17543

3) Admissions:

Sarah L. Short
Director of Residency Planning
Landis Homes
1001 E. Oregon Road, Lititz, PA 17543
(717) 381-3549
sshort@landishomes.org

4) Facility Description:

Landis Homes is located on a 114-acre campus, surrounded by farmland, 8 miles north of Lancaster, Pennsylvania.

Licensed nursing care and personal care is provided in households located in one and two-story buildings. Residential living includes single-level cottage homes, apartments in one, two and three-story buildings and hybrid-style homes. Hybrid-style homes combine the features of cottage homes (multiple outside walls, garages, no corridors) with those of apartment living (indoor access to common areas, a shared community room).

5) Minimum Age for Admission:

The minimum age is 62. Exceptions may be made for those seeking admission to Heritage Memory Support and for short-term admissions to the skilled nursing area.

6) Affiliation with Other Organizations, Including Religious Organizations:

Landis Homes is affiliated with Landis Communities, which is a conference related ministry with ties to LMC (previously known as Lancaster Mennonite Conference) and Atlantic Coast Conference of Mennonite Church USA. Landis Communities appoints members to the Board of Directors of Landis Homes. Neither LMC nor the Atlantic Coast Conference of Mennonite Church USA or any other group other than Landis Homes is responsible for the financial and contractual obligations of the Facility.

7) Resident Population:

As of June 30, 2021, there were 673 residents in the residential living area, 82 residents living in personal care, and 82 living in skilled nursing at Landis Homes, for a total of 837 residents.

8) Sample Fees:

Sample Fees for a One Bedroom Residential Living Cottage.

			Single	Double
Entrance Fee:	$107,000	Monthly fees:	$1,164	$1,370

9) Loan Agreements:

The details of Landis Homes loan agreements may be found on pages 22 through 24 of the audited financial statements, which are attached to the back of the disclosure statement.

Responses to Section 7 of Pennsylvania Act 82 of June 18, 1984.

The numbers below correspond to the paragraphs of Section 7(a) which list the requirements for this disclosure statement.

1) The Provider:

Landis Homes, not-for-profit Pennsylvania Corporation
1001 E. Oregon Road
Lititz, PA 17543

2) Board of Directors:

No officer, trustee, nor any other person had any equity or beneficial interest in the provider.

Janet Breneman, 1001 E. Oregon Road, Lititz, PA 17543
Lisa Clark, 1001 E. Oregon Road, Lititz, PA 17543
Daniel Mast, 1001 E. Oregon Road, Lititz, PA 17543
Rachel Hess, 1001 E. Oregon Road, Lititz, PA 17543
Gerry Horst, 1001 E. Oregon Road, Lititz, PA 17543
Bill Davis, 1001 E. Oregon Road, Lititz, PA 17543
Kenneth Moore, 1001 E. Oregon Road, Lititz, PA 17543
Neil Musselman, 1001 E. Oregon Road, Lititz, PA 17543
Kristen Nebel, 1001 E. Oregon Road, Lititz, PA 17543
Jenn Orantes, 1001 E. Oregon Road, Lititz, PA 17543

3) Further Information Concerning Landis Homes as the Provider Agency and its Board of Directors.

This item requires a listing of the following information for those named in item 2:

(A) A description of the business experience of such persons, if any, in the operation or management of facilities similar to Landis Homes:

The Board of Directors consists of individuals that possess a wide variety of experience in the business community, with some members having specific experience in the healthcare and service oriented sectors.

(B) The name and address of any entity in which such person has a 10% or greater interest and which it is presently intended will or may provide goods, leases, or services to the facility of a value of $500 or more within any year:

None

(C) Description of certain types of criminal, civil or administrative charges convictions, injunctions, or suspensions of licenses:

None

4) Affiliation of the Provider with a Religious Organization

Landis Homes is affiliated with Landis Communities, which is a conference related ministry with ties to LMC (previously known as Lancaster Mennonite Conference) and Atlantic Coast Conference of Mennonite Church USA. Landis Communities appoints members to the Board of Directors of Landis Homes. Neither LMC nor the Atlantic Coast Conference of Mennonite Church USA or any other group other than Landis Homes is responsible for the financial and contractual obligations of the Facility.

Landis Homes is governed by a Board of Directors of not less than six nor more than twelve members. Up to nine directors shall be appointed by the Landis Communities Board of Directors for terms of three years (unless a shorter term is designated by the Landis Homes Board of Directors at appointment). Nominees may be recommended by the Landis Homes Board of Directors. Up to three directors may be appointed by the Landis Communities Board of Directors for terms of one year.

Neither the Lancaster Mennonite Conference nor the Atlantic Coast Conference of Mennonite Church USA or any other group other than Landis Homes is responsible for the financial and contractual obligations of the Facility.

Landis Homes is exempt from the payment of federal income tax under Section 501(c)(3) of the Internal Revenue Code.

5) Facility Description

Landis Homes is located on a 114-acre campus, surrounded by farmland, 8 miles north of Lancaster, Pennsylvania.

Licensed nursing care and personal care is provided in households located in one and two-story buildings. Residential living includes single-level cottage homes, apartments in one, two and three-story buildings and hybrid-style homes. Hybrid-style homes combine the features of cottage homes (multiple outside walls, garages, no corridors) with those of apartment living (indoor access to common areas, a shared community room).

6) List of Services

Included in the basic contract for Residential Living

- Utilities, including cable TV (telephone and internet services not included)
- Real estate taxes
- Maintenance of building and appliances
- Grounds maintenance
- Scheduled shopping trips
- Pastoral care
- Social and recreational activities
- 24-hour emergency response
- Priority access to healthcare and personal care
- Social services
- Use of all indoor and outdoor common social and recreational facilities
- Security services 24 hours a day
- Three meals per day*
- Laundry*
- Housekeeping services*
- Medical/emergency call system*

Available at extra cost for Residential Living

- Meals, guest meals, catering
- Personal laundry or dry cleaning
- Housekeeping services
- Beautician and barber services
- Repairs of personal property

Available at extra cost for all residents

- Internet service
- Telephone service
- Upgraded Cable TV service

*Included in basic contract only for residents of Residential Suites, however, residents may opt out of laundry and housekeeping services and receive a discounted rate.

7) Fees:

See Attachment I for a listing of entrance and monthly fees.

Rate Changes:

Daily and monthly fees and fees for services not included in the basic agreement are reviewed and adjusted from time to time based on factors, which include but are not limited to: changes in the Consumer Price Index, operating experience, governmental regulations, property taxes, maintenance of reserve funds, and to insure the financial stability of Landis Homes. Under ordinary circumstances, these adjustments are announced annually by May 1 where required by regulation, and by June 1 otherwise, and are effective for July 1. Changes in rates may also occur due to single versus double occupancy.

Fee Increases:

For a single occupant in a one-bedroom apartment at Landis Homes, the most recent monthly fees and fee increases for a sample unit are:

Effective Date	Fee	Increase Amount	Increase Percent
July 1, 2021	$1,248	$48	4.0%
July 1, 2020	$1,200	$46	4.0%
July 1, 2019	$1,154	$50	4.5%
July 1, 2018	$1,104	$48	4.5%
July 1, 2017	$1,056	$41	4.0%

8) Reserves

A reserve fund in the amount of $3,971,323 is established as required by Pennsylvania law (Section 9 of Act 1984-82). This amount is the greater of Landis Homes annual debt payments or 10% of budget operating expenditures, with the debt payments comprising the large of the two. The calculation of this reserve is shown on page 21 of the attached consolidated financial statements.

9) Income Statement – Budget to Actual for 2021 and Pro Forma for 2022

Landis Homes Income Statement				
	June 30, 2021			June 30, 2022
	Actual	Budgeted	Favorable (Unfavorable) Variance	Budgeted
Operating Revenue				
Net Resident Service Revenue	38,436,337	42,808,710	(4,372,373)	42,041,271
Other Revenue	3,041,139	2,840,246	200,893	2,764,587
Contributions Used Primarily for Benevolent Care	681,885	766,499	(84,614)	749,000
Total Operating Revenue	42,159,361	46,415,455	(4,256,094)	45,554,858
Operating Expenses				
Resident Services	13,403,604	14,726,646	1,323,042	14,708,087
Dining Services	4,396,423	4,826,896	430,473	4,769,157
Housekeeping, Laundry, and Campus Services	2,341,106	2,487,182	146,076	2,383,780
Outcome Management	1,708,561	1,891,649	183,088	1,963,804
Plant Operations	4,713,785	4,824,331	110,546	4,990,701
General and Administrative	6,863,707	6,548,421	(315,286)	7,120,691
Depreciation	7,017,636	7,060,067	42,431	7,143,508
Interest	3,008,610	3,766,468	757,858	3,131,230
Total Expenses	43,453,432	46,131,660	2,678,228	46,210,958
Operating Income(Loss)	(1,294,071)	283,795	(1,577,866)	(656,100)
Non-Operating Income				
Interest and Dividend Income	850,097	745,225	104,872	444,000
Realized Gains (Losses) on Investments	1,384,478	801,362	583,116	430,000
Unrealized Gains (Losses) on Investments	7,484,511		7,484,511	860,000
Unrestricted Contributions	328,604	100,000	228,604	100,000
Loss on Disposal of Property and Equipment	(29,044)		(29,044)	
Loss on Extinguishment of Debt	-		-	
Total Non-Operating Income	10,018,646	1,646,587	8,372,059	1,834,000
Revenue in Excess(Deficit) of Expenses	8,724,575	1,930,382	6,794,193	1,177,900
Contributions for Purchase of Property and Equip.	141,965	125,500	16,465	42,000
Transfer (To) From Affiliate	(1,160,386)	(1,160,386)	-	(858,000)
Change in Unrestricted Net Assets	7,706,154	895,496	6,810,658	361,900

Notes to the actual to budget presentation for the 2020/2021 year and the 2021/2022 budget.

The 20/21 financial year was full of uncertain and unusual activity at Landis Homes because of the COVID pandemic. Like many facilities, the census in our skilled nursing and personal care settings fell significant below budget. This caused a large drop in our net resident service revenue. Fortunately, demand for the services of Landis Homes remained high and we continue to maintain occupancy in our residential living settings at nearly 97%. Governmental funding helped to offset some of the deficit in revenue as Landis Homes received $864 thousand in assistance.

Expenses were below budget by almost $2.7 million. The majority of departments saw their expenses fall below budget due to cost containment measures and variable costs fell in response to the decline in census. The largest of these drops were in Dining Services and Resident Services. Interest expense was significantly below budget as variable interest rates fell during the year.

Non-operating income ended the year significantly above budget because of the investment returns. Overall, Landis Homes' investments returned far more than a normal year.

The budget for 21/22 shows the on-going impact of the COVID pandemic. Landis Homes began the year with occupancy that was far below normal levels. Census began rising in March of 2021 and we anticipate reaching normal occupancy by the spring of 2022. The expenses and revenue have been adjusted for the occupancy trend. We expect a return to normal by 2023.

Current Year Audit Presentation

The audited financial statements are included in this disclosure statement as attachment II. Pages 29 through 34 include the balance sheet and income statement for Landis Homes, along with the affiliates.

Resident Agreement Attachment III

The applicable statement(s) below should be checked:

______ A Landis Homes Resident Agreement is attached.

______ No Resident Agreement is attached because:

______ This disclosure statement is being provided to a person who is already a resident of Landis Homes.

This disclosure statement is being provided to a person who has already received a copy of a previous disclosure statement with a copy of the Resident Agreement attached, and the Agreement has not been changed since.

This disclosure statement is being provided to a person who is not currently making application to Landis Homes and is not making a deposit or payment to Landis Homes with such on application.

Attachment I

Landis Homes Rate Schedules

Residential Living Rates Effective – July 1, 2021

Landis Homes
Enriching Lives, Together

Range of Monthly Rates

Cottages	Range of Advance Fee	Single	Double
1 Bedroom	$81,000 - $107,000	$1,013 - $1,146	$1,219 – $1,352
2 Bedroom	$115,000 - $239,000	$1,198 - $1,714	$1,404 - $1,920
2 Bedroom w/Sunroom/Family Room	$161,000- $309,000	$1,478 – $2,178	$1,684 - $2,384

Hybrid Homes

1 Bedroom	$150,000-$157,000	$1,452	$1,658
1 Bedroom w/Den	$223,000	$1,954	$2,160
2 Bedroom	$240,000	$2,004	$2,210
2 Bedroom w/Den	$282,000	$2,267	$2,473

Apartments

Studios	$48,000 - $97,000	$876 – $1,212	$1,418
1 Bedroom	$79,000 - $122,000	$1,045 - $1,248	$1,251 - $1,454
1 Bedroom w/Den	$138,000 - $225,000	$1,413 - $1,854	$1,619 – $2,060
2 Bedroom	$107,000 - $265,000	$1,164 – $2,120	$1,370 - $2,326
2 Bedroom w/Den	$296,000	$2,280	$2,486

Residential Suites

	Daily Rate per Person
Standard	$104.00
Large, occupied by two persons	$93.00
Large, occupied by single person	$150.00
Apartment, occupied by two persons	$104.00
Apartment, occupied by single person	$169.00

Daily Rates per Person

Effective July 2021

Personal Care Suites

	Base	Intermediate	Enhanced
Standard	$252	$273	$326
Large, occupied by two persons	$243	$264	$317
Large, occupied by single person	$344	$365	$418
Apartment, occupied by two persons	$252	$273	$326
Apartment, occupied by single person	$359	$380	$433

Personal Care Suites, Memory Support

	Base	Enhanced
Standard	$371	$379

Respite Rates – Additional $20

Health Care

	Regular	Memory Support
Private Room	$537	$540
Private Room with Shared Bath	$516	$519

Landis
Homes
Enriching Lives, Together

Schedule of Fees
Effective July 1, 2021

Additional Ancillary Services & Supplies:		Rate:
Bus trips, based on mileage, for other than scheduled trips to shopping centers		$3.00 - $10.00
Carpet/Upholstery - cleaning (plus sales tax)		$23.00 minimum or $12.50 per each 15 minutes of labor
Housecleaning (plus sales tax) *included in HC, PC, Suite daily rate	Per Hour	$24.50
Ironing	Per Item	$2.00
Laundry *included in HC, PC, Suite daily rate		
Bedspreads/quilts/drapes/rugs/pillows (plus sales tax)		Based on item and size $9.00 - $12.00
Personal Clothing (Small load)		$12.00
Pickup/drop off (per trip, each way)		$1.50
Labeling Clothing (RL Only)	Per Item	$1.00
Maintenance		$18.00 minimum or $35.00 per each labor hour, plus parts
Meal Delivery **included in HC, PC daily rate		$3.00
Medical supplies		Cost + 25% mark up
Purified Protein Derivative (TB Skin Test)		$15.00
Telephone Services by Landis Homes: Unlimited U.S. calling		
Basic services, includes Caller ID	Set-up	$25.00
	Monthly	$20.00
Phone rental (Rate does not include long-distance)	Daily	$1.00
Voice Mail	Set-up	$15.00
	Monthly	$4.00
Internet Services		
Basic Services	Set-up	$25.00
	Monthly	$20.00
Tech support - per each 30 minute increment		$25.00

PS SALON & SPA

Menu of Services

Shampoo / Cond.

Shampoo	13
The Body Builder	10
Crystal Clear	15
Relaxation Remedy	20

Sets & Cuts

Set (or Blow-dry • Curling Iron) Only	14
Comb-Out • Touch-up	13
Shampoo & Blow-dry	17
Shampoo & Set Package	21
Shampoo, Cut & Blow-dry	27
Shampoo, Cut Blow-dry & Curling Iron	32
Women's Cut & Shampoo Package	22
UpDo	10
Men's Cut & Shampoo Package	20
Neck Trim	9
Double Density	5

Color

Single Process Color, Cut & Set Package	50
Temporary Color Rinse	4
Individual Foils	5
High Value Shine	20
Highlights	60 • 80

Perms & Relaxers

Perm, Cut & Set Package	65

Spa Treatments

Truist Moisturizing Manicure	23
Manicure	20
Express Manicure	17
Pedicure	33
Pedicure with Gel Polish	40
Polish Change • Nail Shaping	10
Nail Clipping	10
Nail Soak Off	15
Gel Nail Service	30
Paraffin Wax Hand Treatment	10
Stress Detox	10
Healthy Hands	5

Aesthetics

Facial Grooming	8
Hair Removal Service (per service for Chin or Lip)	8
Hair Removal Service (per service for Brow)	10

Massage

20-Minute Chair Massage	30
30 - Minute Therapeutic Deep Tissue Massage	45
60 - Minute Therapeutic Deep Tissue Massage	70
90 - Minute Therapeutic Deep Tissue Massage	95

PAUL MITCHELL

Attachment II

Audited Financial Statements

Landis Communities and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2021 and 2020

Independent Auditors' Report

To the Board of Directors of
Landis Communities and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Landis Communities and Affiliates (collectively, the Corporation), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2021 and 2020, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2021, the Corporation adopted new accounting guidance on the presentation of leases. Our opinion is not modified with respect to this matter.

Report on Consolidating Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of balance sheet, operations and changes in net assets (deficit), and cash flows on pages 31 through 36 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets or cash flows of the individual organizations, and are not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Wilkes-Barre, Pennsylvania
October 18, 2021

Landis Communities and Affiliates

Consolidated Balance Sheets
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 3,242,629	$ 3,301,197
Assets whose use is limited, debt service funds	2,382,230	2,579,141
Accounts receivable:		
Residents, net	2,396,404	2,762,746
Entrance fees	99,000	324,700
Other	15,503	229,710
Prepaid expenses and other current assets	1,231,640	536,346
Total current assets	9,367,406	9,733,840
Assets Whose Use is Limited		
Board-designated investments	3,812,792	3,264,107
Statutory minimum liquid reserve	3,971,323	4,288,982
Donor-restricted investments	2,153,210	1,576,032
Debt service reserve fund	3,133,813	3,133,813
Total assets whose use is limited	13,071,138	12,262,934
Investments	37,622,747	30,387,748
Investment in Limited Partnerships	1,168,444	629,959
Property and Equipment, Net	117,413,475	118,966,817
Operating Lease, Right-of-Use Assets	5,421,480	-
Pledges Receivable, Net	140,408	136,748
Split-Interest Agreements	338,186	320,060
Other Assets	231,930	231,930
Total assets	$ 184,775,214	$ 172,670,036

See notes to consolidated financial statements

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Current portion of:		
Long-term debt	$ 2,903,851	$ 2,691,227
Operating lease obligations	390,634	-
Line of credit	1,789,252	-
Accounts payable:		
Trade	420,965	795,839
Capital related	878,002	263,401
Accrued expenses:		
Salaries and wages	544,768	538,203
Paid time off	871,289	878,634
Interest	1,138,343	1,154,624
Other	827,200	1,215,954
Total current liabilities	9,764,304	7,537,882
Long-Term Debt	89,466,035	92,175,967
Operating Lease Obligations	5,170,222	-
Deposits for Capital Additions	61,000	-
Refundable Entrance Fees and Deposits	567,300	568,675
Deferred Revenues From Nonrefundable Entrance Fees	43,548,105	45,235,328
Total liabilities	148,576,966	145,517,852
Net Assets		
Without donor restrictions	32,468,209	24,961,687
With donor restrictions	3,730,039	2,190,497
Total net assets	36,198,248	27,152,184
Total liabilities and net assets	$ 184,775,214	$ 172,670,036

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Operations
Years Ended June 30, 2021 and 2020

	2021	2020
Revenues Without Donor Restrictions		
Net resident service revenues	$ 41,398,378	$ 44,200,480
Other revenues	1,763,738	1,946,025
Donor-restricted contributions used primarily for benevolent care	890,760	958,676
Total revenues without donor restrictions	44,052,876	47,105,181
Expenses		
Resident services	13,890,125	14,393,888
General and administrative	9,276,509	8,843,628
Depreciation	7,216,538	7,119,880
Plant operations	4,931,470	4,716,151
Dining services	4,624,806	4,813,745
Housekeeping, laundry and campus services	2,392,018	2,501,780
Admissions, social services, pastoral services and life enrichment	1,709,443	1,679,974
Interest	3,008,610	3,736,442
Total expenses	47,049,519	47,805,488
Operating loss	(2,996,643)	(700,307)
Other Income (Loss)		
Interest and dividend income	877,471	512,749
Net realized gain on sales of investments	1,384,813	483,052
Change in net unrealized gains on investments	7,481,577	657,715
Contributions and bequests	650,440	517,308
Loss on disposal or abandonment of property and equipment	(37,101)	(44,226)
Loss on extinguishment of debt	-	(107,461)
Total other income, net	10,357,200	2,019,137
Revenues in Excess of Expenses	7,360,557	1,318,830
Donor-Restricted Contributions Used for Purchase of Property and Equipment	145,965	167,728
Change in net assets without donor restrictions	$ 7,506,522	$ 1,486,558

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Change in net assets without donor restrictions	$ 7,506,522	$ 1,486,558
Net Assets With Donor Restrictions		
Contributions	2,056,132	1,011,177
Interest and dividend income	38,410	23,042
Net realized gain on sales of investments	52,114	18,931
Change in net unrealized gains on investments	439,627	15,231
Change in value, split-interest agreements	(10,016)	(14,773)
Donor-restricted contributions used for:		
Resident assistance program	(581,628)	(644,759)
Other	(309,132)	(313,917)
Purchase of property and equipment	(145,965)	(167,728)
Change in net assets with donor restrictions	1,539,542	(72,796)
Change in net assets	9,046,064	1,413,762
Net Assets, Beginning	27,152,184	25,738,422
Net Assets, Ending	$ 36,198,248	$ 27,152,184

Landis Communities and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	$ 9,046,064	$ 1,413,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,216,538	7,119,880
Amortization of deferred financing costs	56,230	56,230
Change in operating lease right-of-use assets and obligations	490,092	-
Payments on operating lease obligations	(446,801)	-
Net realized and unrealized gains on investments and assets whose use is limited	(9,358,131)	(1,174,929)
Loss on disposal or abandonment of property and equipment	37,101	44,226
Loss on extinguishment of debt	-	107,461
Proceeds from entrance fees and deposits, existing units	5,402,900	5,771,800
Amortization of entrance fees	(6,079,759)	(6,598,871)
Contributions restricted for long-term purposes	(32,722)	(18,215)
Contributions, pledges receivable	(93,311)	(65)
Change in value, pledges receivable	(1,044)	37,599
Change in split-interest agreements	(18,126)	47,139
Change in assets and liabilities:		
Accounts receivable	580,549	(77,957)
Prepaid expenses and other assets	(695,294)	(99,972)
Accounts payable, trade	(374,874)	(252,664)
Accrued expenses and other liabilities	(309,730)	474,671
Net cash provided by operating activities	5,419,682	6,850,095
Cash Flows From Investing Activities		
Net sales (purchases) of investments and assets whose use is limited	1,368,472	(3,785,765)
Change in value of investment in limited partnerships	(538,485)	8
Purchase of property and equipment	(5,085,696)	(4,265,700)
Net cash used in investing activities	(4,255,709)	(8,051,457)
Cash Flows From Financing Activities		
Repayment of long-term debt	(2,692,208)	(12,370,208)
Proceeds from long-term debt	138,670	2,074,877
Proceeds from line of credit	1,789,252	-
Proceeds from entrance fees and deposits, new units	59,625	4,301,320
Refunds of entrance fees	(784,664)	(468,990)
Collections, pledges receivable	90,695	158,887
Contributions restricted for long-term purposes	32,722	18,215
Net cash used in financing activities	(1,365,908)	(6,285,899)
Net change in cash and cash equivalents	(201,935)	(7,487,261)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	9,026,126	16,513,387
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 8,824,191	$ 9,026,126
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	$ 2,971,894	$ 3,625,693
Noncash Investing and Financing Activities		
Accounts payable, capital related	$ 878,002	$ 263,401
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 3,242,629	$ 3,301,197
Cash and cash equivalents included in assets whose use is limited and investments	5,581,562	5,724,929
Total cash, cash equivalents and restricted cash and cash equivalents	$ 8,824,191	$ 9,026,126

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Landis Communities is a not-for-profit corporation organized to operate exclusively for the support and benefit of Landis Homes Retirement Community (LHRC), Welsh Mountain Home (WMH), Landis Quality Living (LQL), and Landis HCBS, LLC (HCBS); to support the mission, operations and residents of LHRC, WMH, LQL and HCBS, serving older adults including the provision of housing, the provision of affordable housing, the promotion of community among the residents, and the provision of access to home and community based services, including, but not limited to, home care, home health, continuing care at home, adult day services, respite care, care navigation and concierge services to not only residents but the general public, and other retirement community services as elected by the residents, and to develop, and administer an array of services consistent with Landis Communities' Mennonite/Anabaptist heritage and designed to serve the physical and spiritual needs of aging adults.

The consolidated financial statements include the accounts of Landis Communities, LHRC, HCBS, LQL, WMH and WMH Inc. (collectively, the Corporation). All significant intercorporate transactions and balances have been eliminated. Landis Communities is the controlling entity and sole member of the following entities, unless otherwise noted below:

- LHRC is a not-for-profit corporation that operates a continuing care retirement community in Lititz, Pennsylvania providing housing, health care and other related services to elderly residents through the operation of a nursing facility and personal care and residential living units.

- As of July 1, 2018, Landis at Home, LLC (LAH) was re-organized to be HCBS. HCBS is a not-for-profit limited liability company organized to provide an array of home and community based services including home care, home health, continuing care at home, adult day services, respite care and other programs.

- LQL is a not-for-profit corporation organized to provide affordable low-income housing, including rental units, for senior adults, in Lancaster, Pennsylvania. Quality Living Choices (QLC) is a not-for-profit corporation organized to provide housing, including rental units to senior adults, in Lancaster, Pennsylvania. As of July 1, 2019, LQL replaced LC as the sole member of QLC.

- WMH (whose sole member is LQL) is a not-for-profit corporation that operates a personal care facility in a Christian environment in New Holland, Pennsylvania.

- WMH Inc., (whose sole member is WMH) is a not-for-profit corporation organized to act as a co-general partner in Mountain View Terrace, LP (an affordable housing apartment complex for seniors).

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents includes investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable

The Corporation assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management during periodic review of individual accounts and based on factors such as aging of the accounts receivable and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and accounts are deemed impaired. The allowance for doubtful collections is estimated based upon a periodic review of individual accounts. Management determined the allowance for doubtful collections was $49,380 and $29,563 as of June 30, 2021 and 2020, respectively.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated 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 in the consolidated balance sheets could change materially in the near term.

Assets Whose Use is Limited

Assets whose use is limited includes investments set aside by the board of directors which are available for the general use and purposes of the Corporation, assets whose use has been limited by donors to specific purposes, assets to be held in perpetuity, assets designated to meet the statutory minimum liquid reserve requirements of Section 9 of the Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act (Act 82), resident escrow deposits and assets held by trustees under trust indentures. Amounts available to meet current liabilities of the Corporation have been classified as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Lease Obligations and Right-of-Use Assets

The Corporation evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. All lease liabilities are measured at the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

Operating lease expense is recognized on a straight-line basis over the lease term and is included within general and administrative in the consolidated statements of operations. The lease term is determined based on the date the Corporation acquires control of the leased premises through the end of the lease term.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been capitalized and are being amortized over the terms of the related debt using the straight-line method, which approximates the effective interest method. Amortization expense, which is included as a component of interest expense, was $56,230 in both 2021 and 2020. Accumulated amortization was $306,141 and $249,911 at June 30, 2021 and 2020, respectively.

Split-Interest Agreements

LHRC has received as contributions charitable gift annuities. These arrangements represent contracts between the Mennonite Foundation (the Foundation) and donors. Donors transfer cash or investments to the Foundation and, in turn, receive periodic distributions from the Foundation. The contributions received by LHRC are the unconditional rights to receive the remainder interest of the gift annuities. The amount of the contribution is the difference between the asset received by the Foundation and the present value of the estimated future payments to be distributed by the Foundation to the annuitants. These contributions are recorded to net assets with donor restrictions, in accordance with donor restrictions.

Investment in Limited Partnership

WMH, Inc. is a co-general partner (.0051 percent interest) along with Housing Development Corporation MidAtlantic (HDC) (.0049 percent interest) in Mountain View Terrace, LP (an affordable housing apartment complex for seniors). WMH, Inc. purchased land for $1 from WMH, which was then contributed at a fair value of $630,000 to Mountain View Terrace, LP. HDC is the managing general partner of Mountain View Terrace, LP and has provided certain guarantees. The investment is recorded using the equity method of accounting as an investment in limited partnership on the consolidated balance sheets. The investment is $629,952 and $629,959 at June 30, 2021 and 2020, respectively, including a change in value of ($7) and ($8) during the fiscal years ended June 30, 2021 and 2020, respectively.

LQL is a co-general partner (50 percent interest) along with Benchmark Real Estate LLC (50 percent interest) in 149 LB Development LLC. Each partner contributed an equal share in the purchase of land to be held for development. The investment is recorded using the equity method of accounting as an investment in limited partnership on the consolidated balance sheets. The investment is $538,492 at June 30, 2021.

Entrance Fees

Under certain entrance fee plans for residential living units, LHRC receives payments in advance. Residential living apartment and cottage residents have two entrance plan options, a "refundable" option and a "nonrefundable" option. The refundable option has a guaranteed refund component, which is 90 percent, 50 percent or 25 percent of the entrance fee paid, with the balance generally refundable on a decreasing basis for 80 months. The nonrefundable option has no guaranteed refund component and is generally refundable on a decreasing basis for 80 months. All refunds to residents are generally paid upon termination of the resident agreement or transfer to another level of care. At June 30, 2021 and 2020, the gross amount of contractual refund obligations under existing resident agreements approximated $23,400,000 and $25,800,000, respectively.

The guaranteed refund component of entrance fees received is not amortized to income and is classified as refundable entrance fees and deposits in the consolidated balance sheets. The balance of entrance fees received is amortized to income using the straight-line method over the annually-adjusted estimated remaining life expectancies of the residents and is classified as deferred revenues from nonrefundable entrance fees in the consolidated balance sheets.

The majority of services provided to LHRC's residential living residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified 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 may be met either 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 revenues 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 Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporation 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 revenues are recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of skilled nursing, personal care and independent living revenue streams, which are primarily derived from providing housing, skilled nursing, personal care and independent living services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Corporation has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Corporation considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, personal care and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

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

Revenue from nonrefundable entrance fees received is recognized through amortization of the nonrefundable entrance fees using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which 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 revenues from entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees included in independent living revenues was $6,079,759 in 2021 and $6,598,871 in 2020.

The Corporation 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. The Corporation 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.

Other Revenues

Other revenues are primarily comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Corporation complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. The Corporation received $1,345,857 in funding from PRF through June 30, 2021. The Corporation also received additional CARES funding of $528,892 through June 30, 2021 that was passed through the State of Pennsylvania Department of Human Services (DHS) under Act 24 of 2020. The Corporation also received funding from other state and local funding sources of $119,180 through June 30, 2021.

The Corporation has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the PRF and other funding sources and therefore has recognized $1,029,973 and $963,956 in 2021 and 2020, respectively, which is included in other revenues in the accompanying consolidated statements of operations.

Accrued expenses, other includes deferred revenue related to payments received of $350,711, which the Corporation determined the recognition criteria was not met as of June 30, 2020. There were no amounts were deferred as of June 30, 2021.

Management believes that the Corporation complied with all the terms and conditions for the PRF and other funding sources. The Department of Health and Human Services and DHS have indicated the payments are subject to future reporting and audit requirements. Further, noncompliance with the terms and conditions of the PRF and other funding sources, which can be subject to future government review and interpretation, could result in repayment of some or all of the support. An estimate of the possible effects cannot be made as of the date these consolidated financial statements were issued and it's unknown whether there will be further developments in regulatory guidance.

Donor-Restricted Gifts

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Contributed Services

Contributed services are recognized as contributions in accordance with the authoritative guidance governing the accounting for contributions received if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. The contributions are required to be recorded at their fair value.

Volunteers provide various services that are not recognized as contributions in the consolidated financial statements since the recognition criteria under the authoritative guidance were not met. Approximately 19,100 and 28,800 hours in 2021 and 2020, respectively, were contributed to the Corporation for these services.

Benevolent Care

The Corporation provides services to residents who meet certain criteria at amounts less than its cost of providing care. The Corporation maintains records to identify and monitor the level of benevolent care it provides. The costs associated with the benevolent care services provided to residents include both direct costs and estimated indirect costs, as reported by management on the Corporation's internal financial statements. The level of benevolent care provided by the Corporation, which represents the difference between the estimated cost of providing care and the payments received for services rendered, was approximately $1,576,000 and $1,688,000 in 2021 and 2020, respectively. The Corporation received contributions restricted for benevolent care of $533,747 and $578,881 in 2021 and 2020, respectively. These amounts include contributions of charitable gift annuities.

Medical Assistance Reimbursement and Cost of Providing Care

LHRC provides nursing care to Medical Assistance program beneficiaries that are reimbursed at amounts less than its cost of providing care. LHRC maintains records to identify and monitor the difference between the cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered. The costs associated with the services provided to Medical Assistance program beneficiaries include both direct costs and estimated indirect costs, as reported by management on LHRC's internal financial statements. The difference between the estimated cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered was approximately $2,579,000 in 2021 and $2,607,000 in 2020.

Income Taxes

Landis Communities, LHRC, HCBS, LQL, WMH and WMH, Inc. are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code. LHRC, HCBS, LQL, WMH and WMH, Inc. are exempt from federal income taxes on their exempt income under Section 509(a)(2) of the Internal Revenue Code and Landis Communities is exempt under Section 509(a)(3) of the Internal Revenue Code. QLC is a taxable nonprofit corporation subject to federal income taxes.

Measure of Operations

The Corporation's loss from operations includes all operating revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be more unusual and nonrecurring in nature.

Performance Indicator

The consolidated statements of operations includes the determination of revenues in excess of expenses. Changes in net assets without donor restrictions which are excluded from the determination of revenues in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standard

Standard Adopted, Lease Accounting

Effective July 1, 2020, the Corporation adopted the FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (as amended) (Topic 842)*. Topic 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheets and disclosing key information about leasing arrangements. Under the provisions of Topic 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the consolidated balance sheets. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Corporation's leasing activities.

The Corporation elected the option to apply the transition requirements at the effective date of July 1, 2020, with the effects of initially applying Topic 842 recognized as a cumulative-effect adjustment to net assets without donor restrictions in the period of adoption. Consequently, the consolidated financial statements and disclosures required under Topic 842 have not been updated as of and for year ending June 30, 2020. The Corporation also elected the package of practical expedients, which permits it to not reassess its prior conclusions about lease identification, classification and initial direct costs. In addition, the Corporation elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

The adoption of Topic 842 had a material effect on the Corporation's consolidated financial statements. The most significant effects relate to the recognition of new right-of-use assets and lease obligations on its consolidated balance sheets for operating leases and providing significant new disclosures about leasing activities. Upon adoption, the Corporation recognized operating lease obligations and right-of-use assets of $5,842,827 and $5,938,911, respectively, based on the present value of the remaining minimum rental payments as determined in accordance with Topic 842 for leases that had historically been accounted for as operating leases under Topic 840. There was no impact on net assets without donor restrictions as of July 1, 2020.

Standard Not Yet Adopted, Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*. This is an elective ASU and applies to entities that have contract, hedging relationships and other transactions that reference LIBOR. Provisions permits option expedients and exceptions for applying GAAP to contract modifications and hedging relationships. This is an elective ASU applicable for a limited time through December 31, 2022. The Corporation has not yet made this election or determined the impact of the election of ASU No. 2020-04 on its consolidated financial statements.

Standard Not Yet Adopted, Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU No. 2020-07). ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. The Organization has not yet determined the impact that the adoption of this standard will have on its consolidated financial statements.

Reclassification

Certain items in the 2020 consolidated financial statements have been reclassified to conform to the 2021 consolidated financial statement presentation. The reclassifications had no effect on the performance indicator.

Subsequent Events

In June of 2021, the Landis Communities Board of Directors and affiliate Boards approved a new project called Landis Place on King (LPK). LPK will be a 79-unit apartment building with commercial space and parking for residents located on King Street in Lancaster, Pennsylvania. The total project costs is estimated at $28,000,000 including development, land, and the building cost. High Construction was awarded the construction contract in June of 2021 with a contract amount of $22,399,858. As of June 30, 2021, $279,001 has been accrued on the High Construction Contract.

On August 18, 2021, the Lancaster Industrial Development Authority (the Authority) issued, on behalf of the Obligated Group, Series of 2021 Bonds (the 2021 Bonds) in the maximum principal amount of $25,000,000 to fund construction of LPK. The 2021 Bonds are tax-exempt bank direct placement bonds with interest only payable monthly during the 24-month construction period. Beginning September 2023, monthly payments of principal and interest are due at a fixed tax-exempt rate of 2.35 percent until August 18, 2031. The rate will then change to a floating tax-exempt rate of 79 percent of the 3-day average of the secured overnight financing rate (SOFR), plus 158 basis points, with a floor of 2.215 percent. In conjunction with the issuance of the 2021 Bonds, LPK was added as a member of the obligated group.

In addition, on August 18, 2021, High Foundation Fund at Lancaster County Community Foundation (HFF) and LPK, entered into an agreement for a loan from HFF of $1,550,000 to provide further funding for the construction of LPK. Beginning January 2022, payments of principal and interest at 5 percent are due semi-annually.

On September 29, 2021, the Authority issued $53,385,000 of its tax-exempt bonds (the 2021A Bonds) to refund the Lancaster County Hospital Authority's Health Center Revenue Bonds, Series B and C of 2015 and Series B of 2017, provide funds for renovations and improvements to the existing community, fund a debt service reserve fund and pay the costs of issuance. The 2021A Bonds include fixed rate terms bonds maturing 2031 through 2056 within interest rates at 4.00 percent.

The Corporation evaluated subsequent events for recognition or disclosure through October 18, 2021, the date the consolidated financial statements were issued.

2. Liquidity and Availability of Resources

The following table reflects the Corporation's financial assets available for general expenditure within one year of the consolidated balance sheet date June 30:

	2021	2020
Cash and cash equivalents	$ 3,181,629	$ 3,301,197
Accounts receivable:		
Residents, net	2,396,404	2,762,746
Entrance fees	99,000	324,700
Other	15,503	229,710
Investments	36,045,918	29,773,283
Total	$ 41,738,454	$ 36,391,636

Cash and cash equivalents included in the table above exclude deposits for capital additions of $61,000 as of June 30, 2021. Investments included in the table above exclude net assets with donor restrictions in excess of assets whose use is limited donor-restricted investments of $1,576,829 and $614,465 as of June 30, 2021 and 2020, respectively. The Corporation has board-designated assets whose use is limited of $3,812,792 and $3,264,107 at June 30, 2021 and 2020, respectively, which are excluded from the table above. Although the Corporation does not intend to utilize these funds for general expenditure as part of its annual budget and approval process, amounts designated could be made available as necessary.

The Corporation designated a portion of its investments "reserved" to comply with the requirements of Act 82 and thus they are not included in the schedule above. Although the Corporation does not intend to utilize the reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The reserves are separately classified in the consolidated balance sheets and do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

As part of the Corporation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. These funds may be drawn upon, if necessary, to meet unexpected liquidity needs.

3. Net Resident Service Revenues

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

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

  The Department of Human Services (DHS) in the Commonwealth of Pennsylvania has implemented its mandatory Medical Assistance managed care program, Community HealthChoices (CHC). The primary goals of CHC are to better coordinate health care coverage and improve access to medical care. The services for which Medical Assistance program beneficiaries are eligible did not change under CHC.

  CHC became effective for LHRC on January 1, 2020. Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). The initial rate paid by the MCOs is subject to a "floor" equal to the average of each prior four quarters Medical Assistance rates. In addition, MCOs and nursing facilities may agree to higher or lower negotiated rates under an alternative payment methodology agreement. The rate "floors" are expected to be in effect for 36 months.

- **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. LHRC is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges. As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on LHRC's clinical assessment of its residents. LHRC is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare program.

The Corporation disaggregates revenue from contracts with customers 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 revenues consist of the following for the years ended June 30:

	2021			
	Personal Care	**Independent Living**	**Skilled Nursing**	**Total**
Self-pay	$ 9,414,220	$ 9,828,919	$ 8,683,483	$ 27,926,622
Medicare and other	-	-	1,208,213	1,208,213
Medicaid	-	-	2,728,400	2,728,400
Amortization of nonrefundable entrance fees	-	6,079,759	-	6,079,759
Subtotal	$ 9,414,220	$ 15,908,678	$ 12,620,096	37,942,994
Ancillary service revenues				786,752
Other resident service revenues				2,668,632
Net resident service revenues				$ 41,398,378

	2020			
	Personal Care	Independent Living	Skilled Nursing	Total
Self-pay	$ 10,037,793	$ 9,696,092	$ 8,511,507	$ 28,245,392
Medicare and other	-	-	1,740,872	1,740,872
Medicaid	-	-	3,551,289	3,551,289
Amortization of nonrefundable entrance fees	-	6,598,871	-	6,598,871
Subtotal	$ 10,037,793	$ 16,294,963	$ 13,803,668	40,136,424
Ancillary service revenues				939,129
Other resident service revenues				3,124,927
Net resident service revenues				$ 44,200,480

4. Fair Value Measures, Investments, Assets Whose Use is Limited and Other Financial Instruments

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The following tables present financial instruments measured at fair value by caption on the consolidated balance sheets as of June 30:

	2021				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value					
Assets:					
Investments and assets whose use is limited:					
Mutual funds, equity:					
International	$ 7,649,998	$ 7,649,998	$ 7,649,998	$ -	$ -
Large cap	10,792,740	10,792,740	10,792,740	-	-
Small cap	1,297,493	1,297,493	1,297,493	-	-
Tactical	1,288,003	1,288,003	1,288,003	-	-
Mid cap	2,604,983	2,604,983	2,604,983	-	-
Real estate	2,125,605	2,125,605	2,125,605	-	-
Mutual funds, fixed income:	7,968,996	7,968,996	7,968,996	-	-
Intermediate term	7,280,911	7,280,911	7,280,911	-	-
Short-term	2,138,281	2,138,281	2,138,281	-	-
Marketable equity securities:					
Other	177,294	177,294	177,294	-	-
	43,324,304	$ 43,324,304	$ 43,324,304	$ -	$ -
Cash and cash equivalents	9,751,811				
Total investments and assets whose use is limited	$ 53,076,115				
Split interest agreements	$ 338,186	$ 338,186	$ -	$ -	$ 338,186

	2020				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value					
Assets:					
Investments and assets whose use is limited:					
Mutual funds, equity:					
International	$ 4,009,536	$ 4,009,536	$ 4,009,536	$ -	$ -
Large cap	10,146,286	10,146,286	10,146,286	-	-
Small cap	679,577	679,577	679,577	-	-
Tactical	663,617	663,617	663,617	-	-
Mid cap	1,366,067	1,366,067	1,366,067	-	-
Real estate	1,048,125	1,048,125	1,048,125	-	-
Mutual funds, fixed income:					
Intermediate term	3,305,939	3,305,939	3,305,939	-	-
Short-term	1,107,955	1,107,955	1,107,955	-	-
Other	146,252	146,252	146,252	-	-
Marketable equity securities:					
Financial	688,736	688,736	688,736	-	-
Healthcare	595,946	595,946	595,946	-	-
Information technology	1,686,020	1,686,020	1,686,020	-	-
Other	1,743,009	1,743,009	1,743,009	-	-
	27,187,065	$ 27,187,065	$ 27,187,065	$ -	$ -
Cash and cash equivalents	18,042,758				
Total investments and assets whose use is limited	$ 45,229,823				
Split interest agreements	$ 320,060	$ 320,060	$ -	$ -	$ 320,060

Investments and assets whose use is limited are presented together in the tables above as there are various investment and cash accounts that are allocated between the investments and assets whose use is limited lines on the consolidated balance sheets.

Investments and assets whose use is limited are combined on the above tables and are presented on the consolidated balance sheets as follows:

	2021	**2020**
Investments	$ 37,622,747	$ 30,387,748
Assets whose use is limited:		
Board-designated investments	3,812,792	3,264,107
Statutory minimum liquid reserve	3,971,323	4,288,982
Donor-restricted investments	2,153,210	1,576,032
Debt service funds, current	2,382,230	2,579,141
Debt service reserve fund	3,133,813	3,133,813
Total	$ 53,076,115	$ 45,229,823

Pennsylvania Act 82 Reserve

In compliance with Act 82, the Corporation "reserved" a portion of assets whose use is limited to meet the requirements of Act 82. The "reserved" funds amounted to approximately $3,971,323 at June 30, 2021 and $4,288,982 at June 30, 2020. The reserve at June 30, 2021 was calculated as follows:

Budgeted resident living operating expenses for the year ending June 30, 2022	$ 12,570,537
Less budgeted resident living depreciation and amortization expense	(5,890,018)
Expenses subject to minimum liquidation reserve requirement	6,680,519
Statutory requirement	10%
Statutory minimum liquid reserve requirement	$ 668,052
Budgeted debt service requirements for the year ending June 30, 2022	
Principal	$ 2,765,181
Interest	3,075,000
Total budgeted debt service requirements	5,840,181
Percentage of units subject to entrance fee agreements	68%
Statutory minimum liquid reserve requirement	$ 3,971,323
Greater of (a) or (b) above	$ 3,971,323

Valuation Methodologies

Investments and assets whose use is limited are valued at fair value based on quoted market prices in active markets for mutual funds and marketable equity securities or estimated using the present value of expected future cash flows for split-interest agreements.

5. Property and Equipment

Property and equipment is as follows as of June 30:

	2021	2020
Land	$ 1,985,424	$ 898,538
Land improvements	11,030,381	10,889,917
Buildings and building improvements	139,121,776	138,927,100
Major-moveable equipment	31,526,440	33,267,222
Furniture and equipment	11,384,436	10,849,185
Total	195,048,457	194,831,962
Less accumulated depreciation	79,737,527	76,403,421
Total	115,310,930	118,428,541
Construction-in-progress	2,102,545	538,276
Property and equipment, net	$ 117,413,475	$ 118,966,817

Construction-in-progress at June 30, 2021 and 2020 includes expenditures related to various ongoing capital projects.

6. Lines of Credit

LHRC has an $800,000 unsecured, revolving demand line of credit with a bank which expires on December 31, 2021. The line of credit bears interest at the one-month LIBOR rate plus 2.25 percent per annum (2.34 percent at June 30, 2021). There were no borrowings at June 30, 2021 or 2020.

WMH has a $25,000 unsecured, revolving demand line of credit with a bank which bears a variable interest rate based on the U.S. Prime Rate (3.25 percent at June 30, 2021). There were no borrowings outstanding at June 30, 2021 or 2020.

In September 2020, LQL entered into a $4,000,000 secured demand line of credit with a bank to support property acquisition, project development, working capital and letter of credit needs. The line of credit bears interest at the one-month LIBOR rate but in no event less than .25 percent per annum (0.25 percent at June 30, 2021). The line of credit is secured by a lien on substantially all assets of LQL. LHRC is a guarantor of this line of credit. There was $1,789,252 outstanding on this line of credit at June 30, 2021.

7. Long-Term Debt

Series 2015A Bonds

On October 1, 2015, the Corporation formed a new Obligated Group including LHRC and LAH as co-obligors and the Lancaster County Hospital Authority issued $49,765,000 Series A of 2015 Health Center Revenue Refunding Bonds (the 2015A Bonds) on behalf of the Obligated Group. The 2015A Bonds are tax-exempt and consist of $4,605,000 Serial Bonds maturing July 1, 2016 to July 1, 2020 at 2.00 to 3.00 percent, $5,450,000 10 year term bonds maturing July 1, 2021 to July 1, 2025 at 3.80 percent, $6,665,000 15 year term bonds maturing July 1, 2026 to July 1, 2030 at 4.25 percent, $8,400,000 20 year term bonds maturing July 1, 2031 to 2035 at 5.00 percent, and $24,645,000 30 year term bonds maturing July 1, 2036 to July 1, 2045 at 5.00 percent. As of July 1, 2018, LAH was withdrawn from the Obligated Group leaving LHRC as the sole Obligor.

Series 2015B Bonds

On November 24, 2015, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series B of 2015 Bonds (the 2015B Bonds) in the maximum principal amount of $8,600,000 to fund an expansion project. The 2015B Bonds are tax-exempt bank direct placement bonds with a 25 year amortization inclusive of an initial 2 year interest only period during construction. Interest only is payable during the construction period in monthly installments at a floating tax-exempt rate of 78 percent of the 30 day LIBOR, plus 140 basis points (1.50 percent at June 30, 2021). Beginning January 2018, principal and interest are due in varying monthly installments through November 2042.

Series 2015C Bonds

On January 28, 2016, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series C of 2015 Bonds (the 2015C Bonds) in the maximum principal amount of $28,400,000 to fund the wellness center project. The 2015C Bonds are tax-exempt bank direct placement bonds with a 25 year amortization inclusive of an initial 2 year interest only period during construction. Interest only is payable during the construction period in monthly installments at a floating tax-exempt rate of 78 percent of the 30 day LIBOR, plus 140 basis points (1.50 percent at June 30, 2021). Beginning February 2019, principal and interest are due in varying monthly installments through January 2043.

Series 2017B Bonds

On November 29, 2017, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series B of 2017 Bonds (the 2017B Bonds) in the maximum principal amount of $15,100,000 to fund construction of the Crossing Apartments. The 2017B Bonds are tax-exempt bank direct placement bonds with interest only payable monthly during the 24 month construction period. Beginning December 2019, payments of principal and interest at a floating tax-exempt rate of 72 percent of the 30 day LIBOR, plus 170 basis points (1.79 percent at June 30, 2021), are due monthly.

Paycheck Protection Program Loan

In June 2021, WMH received a loan pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration for $138,670 which is included in the current portion of long-term debt in the accompanying consolidated balance sheets. The PPP was authorized in the CARES Act. The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the COVID-19 pandemic. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. Any unforgiven portion is payable over 5 years at an interest rate of 1 percent with payments deferred until the SBA remits the loan forgiveness amount to the lender, or, if WMH does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

Subject to certain eligibility and certification requirements under the PPP, some or all of the loans amounts may be forgiven; however, the amount and timing of any forgiveness is uncertain. Among other factors, loan eligibility is contingent upon economic uncertainty and necessity. The determination of necessity includes access to liquidity available to support the ongoing operations of WMH. WMH made a good-faith certification at the time of application regarding these elements and believes these certifications are still appropriate.

Compliance with the terms and conditions of the funding received above is subject to future government review and interpretation as well as significant regulatory action for noncompliance. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. There can be no assurance that regulatory authorities will not challenge WMH's compliance with the terms and conditions, and it is not possible to determine the impact (if any) on WMH.

Interest

Interest expense on all debt totaled $3,008,610 and $3,736,442 (including amortization of deferred financing costs) during 2021 and 2020, respectively, net of $32,380 capitalized during 2021.

Security and Covenants

The 2015A, 2015B, 2015C and 2017B Bonds are primarily secured by a mortgage lien on, and security interest in, the Obligated Group's property and equipment and a security interest in the Obligated Group's revenues, as defined in the applicable agreements.

The 2015A, 2015B, 2015C and 2017B Bonds require the Obligated Group to meet certain financial ratios.

Long-Term Debt Summary

Long-term debt is as follows as of June 30:

	2021	2020
2015A Bonds	$ 45,160,000	$ 46,135,000
2015B Bonds	7,711,416	8,054,789
2015C Bonds	26,212,035	27,225,318
2017B Bonds	14,393,426	14,753,978
PPP Loan	138,670	-
Total	93,615,547	96,169,085
Less current maturities	2,903,851	2,691,227
Less unamortized deferred financing costs	1,245,661	1,301,891
Long-term debt	$ 89,466,035	$ 92,175,967

Scheduled principal repayments on long-term debt are as follows:

Years ending June 30:	
2022	$ 2,903,851
2023	2,838,340
2024	2,918,586
2025	2,997,524
2026	3,081,042
Thereafter	78,876,204
Total	$ 93,615,547

8. Retirement Plan

Landis Communities sponsors a defined contribution retirement plan. Contributions to the plan were $660,380 in 2021 and $649,638 in 2020.

9. Net Assets

Net asset presentation in the accompanying consolidated balance sheets with expanded disclosure for the amount and purpose of restrictions or designations is as follows:

	2021	2020
Net Assets		
Without donor restrictions:		
Operating reserve	$ 28,799,631	$ 21,594,362
Board designated, endowment funds	3,668,578	3,367,325
Total net assets without donor restrictions	32,468,209	24,961,687
With donor restrictions:		
Purpose restricted:		
Resident assistance program	152,011	137,439
Learning/wellness center project	155,289	245,854
Endowment funds appreciation	753,141	261,399
Capital projects	891,111	-
Other	400,117	208,285
Restricted in perpetuity:		
Endowment funds	1,378,370	1,337,520
Total net assets with donor restrictions	3,730,039	2,190,497
Total net assets	$ 36,198,248	$ 27,152,184

10. Endowment Funds

LHRC's endowment funds consist of two funds established for a variety of purposes. The endowment includes both board-designated and donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence of or absence of donor-imposed restrictions.

LHRC interprets relevant Pennsylvania state law governing the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, LHRC classifies as net assets with donor restrictions (a) the original value of all gifts donated as permanent endowments; (b) the original value of subsequent gifts to the permanent endowments; 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 not classified in net assets with donor restrictions is classified as either net assets with or without restrictions, depending upon the donor designation.

LHRC has adopted investment and spending policies for its endowment assets that attempt to preserve the capital and achieve sufficient total return to fund the annual expenditures of the endowments in accordance with donor restrictions. To achieve LHRC's overall goals, the primary objectives of the investment policy are to (a) preserve and increase the real value of LHRC's assets, (b) provide a stable source of income for LHRC's programs in accordance with LHRC's spending policy, (c) assure that LHRC's bond covenants are satisfied, and (d) invest LHRC's investment funds in a manner consistent with the values formed by LHRC's Anabaptist beliefs and heritage.

To satisfy its long-term rate of return objectives, LHRC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). LHRC targets a diversified asset allocation in order to achieve its long-term return objectives with prudent risk constraints.

LHRC has a policy of appropriating for distribution each year such amounts as are stipulated by the donors upon establishment of the endowment funds. In accordance with the original gifts, each of the endowment funds allows LHRC to appropriate the current yield for distribution each year. LHRC excludes realized capital gains related to the endowment funds from this calculation. LHRC expects the current spending policy to allow its endowment funds to preserve the fair value of the original gifts, which is consistent with LHRC's objective to preserve the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. LHRC's spending policy does not require a minimum payout from its endowment income on an annual basis.

Donor-restricted net assets totaling $2,131,511 and $1,598,919 at June 30, 2021 and 2020, respectively, are classified as net assets with donor restrictions in the consolidated balance sheets. Net appreciation of donor-restricted endowment funds is classified as net assets with donor restrictions in the consolidated balance sheets until used in accordance with the donors intended purpose. Board-designated endowment funds totaling $3,668,578 and $3,367,325 at June 30, 2021 and 2020, respectively, are classified as net assets without donor restrictions in the consolidated balance sheets.

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are composed of the following:

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 3,367,325	$ 1,598,919	$ 4,966,244
Investment return (including interest and dividends and realized and unrealized gains and losses)	1,043,552	530,144	1,573,696
Contributions	328,605	32,722	361,327
Change in value, split interest agreements	-	4,444	4,444
Net assets released from restrictions	-	(38,402)	(38,402)
Other	(1,070,904)	3,684	(1,067,220)
Endowment net assets, end of year	$ 3,668,578	$ 2,131,511	$ 5,800,089

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 2,946,541	$ 1,554,041	$ 4,500,582
Investment return (including interest and dividends and realized and unrealized gains and losses)	118,381	57,179	175,560
Contributions	347,085	18,215	365,300
Change in value, split interest agreements	-	(8,643)	(8,643)
Net assets released from restrictions	-	(23,017)	(23,017)
Other	(44,682)	1,144	(43,538)
Endowment net assets, end of year	$ 3,367,325	$ 1,598,919	$ 4,966,244

11. Insurance

Professional and General Liability Insurance

The Corporation maintains professional and general liability insurance coverage on a claims-made basis through Peace Church Risk Retention Group (PCRRG), a reciprocal insurance company. Other than for premiums paid under these policies, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the insurance coverage of the Corporation or will have a material adverse effect on the consolidated financial statements.

Employee Health Insurance

Landis Communities self-insures certain of its health insurance benefits. Landis Communities holds a stop-loss policy of $150,000 per eligible employee that limits the maximum liability for benefits payable under such claims. In addition to the individual deductible, there is a corporate aggregate stop-loss of $80,000. The one-time additional deductible may be fulfilled in part by any number of employees. Self-insurance costs incurred under this program were $3,151,931 and $3,393,374 in 2021 and 2020, respectively. On the consolidated balance sheets, accrued expenses, other includes $427,168 and $340,974 at June 30, 2021 and 2020, respectively, for reserves for anticipated health insurance costs. On the consolidated balance sheets, prepaid expenses and other current assets, includes $581,510 at June 30, 2021, for prepaid health insurance costs. There were no prepaid health insurance costs at June 30, 2020. Management believes no instances occurred or will be asserted that will exceed the insurance coverage stated in the policies.

12. Contingencies

Real Estate Taxes

As not-for-profit Corporations in the Commonwealth of Pennsylvania, LHRC and WMH are organizations which qualify for exemption from real property taxes relating to portions of their properties. However, a number of cities, municipalities and school districts in the Commonwealth of Pennsylvania have challenged and continue to challenge not-for-profit corporations' exemption from real estate taxes. The possible future financial effects of this matter on LHRC and WMH, if any, are not determinable.

Senior Living Services Industry

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

COVID-19

The spread of COVID-19 around the world has caused volatility in the U.S. market, supply chains, businesses and communities. The Corporation's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were issued. COVID-19 may impact various parts of the Corporation's 2022 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption or declines in revenue. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

13. Leases

The Corporation leases office space and equipment used in operations. These leases have initial terms of 10 years and include two options to renew for additional an additional 5 years with each option. For lease where the Corporation is reasonably certain to exercise its renewal option, the option periods are included within the lease term, and therefore measurement of the right-of-use-assets and lease obligations. The payment structure for the leases include annual escalation clauses that are either fixed. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and expenses for these leases are recognized on a straight-line basis over the lease term as an operating expense.

Certain leases include an option to purchase the leased assets. The Corporation assesses the likelihood of exercising the purchase option using a "reasonably certain" threshold, which is understood to be a high threshold and, therefore, purchase options are generally accounted for when a compelling economic reason to exercise the option exists. Certain leases include an option to terminate the lease, the terms and condition of which vary by contract. These options allow the parties to the contract to terminate their obligations typically in return for an agreed upon financial consideration amount. The Corporation's lease agreements do not contain material residual value guarantees.

The Corporation makes certain assumptions and judgments in determining the discount rate, as most leases do not provide an implicit rate. The Corporation has elected, under its classification of not being considered a public business entity, to use a risk-free discount rate in determining the present value of lease payments for the leases which was determined using a period comparable with that of the remaining lease term.

Subsequent to the lease commencement date, the Corporation reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

Future minimum lease payments under the operating leases obligations as of June 30, 2021 were as follows:

Years ending June 30:		
2022	$	454,765
2023		462,873
2024		471,127
2025		479,528
2026		488,081
Thereafter		3,623,270
Total		5,979,644
Less:		
Amounts representing present value		418,788
Current portion		390,634
Long-term obligation	$	5,170,222

Operating lease costs were $490,092 in 2021 and are included in general and administrative expenses in the accompanying consolidated statements of operations.

Other supplemental information as of and for the year ended June 30, 2021 is as follows:

Weighted-average remaining lease term:	
Operating lease obligations	11.92 years
Weighted-average discount rate:	
Operating lease obligations	1.20%

14. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements primarily with Medical Assistance and Medicare.

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

15. Functional Expenses

The Corporation's primary program service relates to providing housing, health care and other related services to residents within its geographic location. Expenses by functional classification consist of the following in 2021 and 2020:

	2021			
	Resident Services	**General and Administrative**	**Fundraising**	**Total**
Salaries and wages	$ 15,043,689	$ 4,099,894	$ 220,924	$ 19,364,507
Employee benefits and payroll taxes	4,796,181	1,139,557	66,218	6,001,956
Professional fees and purchased services	1,988,924	379,352	12,975	2,381,251
Nursing home assessment	-	150,092	-	150,092
Depreciation	7,117,883	98,655	-	7,216,538
Interest	2,982,284	26,326	-	3,008,610
Supplies and other expenses	5,719,068	3,135,101	72,396	8,926,565
Total expenses	$ 37,648,029	$ 9,028,977	$ 372,513	$ 47,049,519

	2020			
	Resident Services	**General and Administrative**	**Fundraising**	**Total**
Salaries and wages	$ 15,176,172	$ 3,902,489	$ 233,389	$ 19,312,050
Employee benefits and payroll taxes	4,746,069	1,109,571	69,795	5,925,435
Professional fees and purchased services	2,266,803	407,991	194	2,674,988
Nursing home assessment	-	240,849	-	240,849
Depreciation	7,015,276	104,604	-	7,119,880
Interest	3,703,747	32,695	-	3,736,442
Supplies and other expenses	5,916,494	2,808,651	70,699	8,795,844
Total expenses	$ 38,824,561	$ 8,606,850	$ 374,077	$ 47,805,488

Certain categories of expenses are attributable to more than one program or supporting function. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage, time and effort.

Landis Communities and Affiliates

Consolidating Schedule, Balance Sheet
June 30, 2021

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2021
Assets							
Current Assets							
Cash and cash equivalents	$ 1,635,215	$ 98,132	$ 1,089,861	$ 121,709	$ 297,712	$ -	$ 3,242,629
Assets whose use is limited, debt service funds	2,382,230	-	-	-	-	-	2,382,230
Accounts receivable:							
Residents, net	2,252,203	139,884	2,824	-	1,493	-	2,396,404
Advance fees	99,000	-	-	-	-	-	99,000
Other	14,920	468	115	-	-	-	15,503
Due from affiliates	1,165,566	33,002	1,203,898	31	1,427	(2,403,924)	-
Prepaid expenses and other current assets	1,019,999	-	142,946	42,716	25,979	-	1,231,640
Total current assets	8,569,133	271,486	2,439,644	164,456	326,611	(2,403,924)	9,367,406
Assets Whose Use Is Limited							
Board-designated investments	3,621,787	-	-	-	191,005	-	3,812,792
Statutory minimum liquid reserve	3,971,323	-	-	-	-	-	3,971,323
Donor-restricted investments	2,122,706	-	30,504	-	-	-	2,153,210
Debt service reserve fund	3,133,813	-	-	-	-	-	3,133,813
Total assets whose use is limited	12,849,629	-	30,504	-	191,005	-	13,071,138
Investments	37,622,747	-	-	-	-	-	37,622,747
Investment in Limited Partnerships	-	-	-	720,228	629,952	(181,736)	1,168,444
Property and Equipment, Net	112,740,598	23,608	95,775	2,145,492	2,408,002	-	117,413,475
Operating Lease, Right-of-Use Assets	-	-	-	5,421,480	-	-	5,421,480
Pledges Receivable, Net	47,162	-	93,246	-	-	-	140,408
Split-Interest Agreements	332,201	-	5,985	-	-	-	338,186
Other Assets	164,267	-	67,663	-	-	-	231,930
Total assets	$ 172,325,737	$ 295,094	$ 2,732,817	$ 8,451,656	$ 3,555,570	$ (2,585,660)	$ 184,775,214

Landis Communities and Affiliates

Consolidating Schedule, Balance Sheet
June 30, 2021

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2021
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Current portion of:							
Long-term debt	$ 2,765,181	$ -	$ -	$ -	$ 138,670	$ -	$ 2,903,851
Operating lease obligations	-	-	-	390,634	-	-	390,634
Line of credit	-	-	-	1,789,252	-	-	1,789,252
Accounts payable:							
Trade	323,245	3,618	52,739	13,587	27,776	-	420,965
Due to affiliate	538,294	677,478	33,508	1,078,944	49	(2,328,273)	-
Capital related	484,560	-	18,129	372,523	2,790	-	878,002
Accrued expenses:							
Salaries and wages	431,515	34,071	105,383	-	7,870	(34,071)	544,768
Paid time off	621,552	36,204	233,775	-	15,962	(36,204)	871,289
Interest	1,135,110	-	-	3,233	-	-	1,138,343
Other	652,303	5,698	140,712	5,149	28,714	(5,376)	827,200
Total current liabilities	6,951,760	757,069	584,246	3,653,322	221,831	(2,403,924)	9,764,304
Long-Term Debt	89,466,035	-	-	-	-	-	89,466,035
Operating Lease Obligations	-	-	-	5,170,222	-	-	5,170,222
Deposits for Capital Addition	61,000	-	-	-	-	-	61,000
Refundable Entrance Fees and Deposits	510,529	-	-	56,771	-	-	567,300
Deferred Revenues From Nonrefundable Entrance Fees	43,548,105	-	-	-	-	-	43,548,105
Total liabilities	140,537,429	757,069	584,246	8,880,315	221,831	(2,403,924)	148,576,966
Net Assets (Deficit)							
Without donor restrictions	29,306,422	(545,907)	1,009,350	(610,395)	3,308,739	-	32,468,209
With donor restrictions	2,481,886	83,932	1,139,221	181,736	25,000	(181,736)	3,730,039
Total net assets (deficit)	31,788,308	(461,975)	2,148,571	(428,659)	3,333,739	(181,736)	36,198,248
Total liabilities and net assets (deficit)	$ 172,325,737	$ 295,094	$ 2,732,817	$ 8,451,656	$ 3,555,570	$ (2,585,660)	$ 184,775,214

Landis Communities and Affiliates

Consolidating Schedule, Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2021

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2021
Revenues Without Donor Restrictions							
Resident service revenues:							
Nursing	$ 12,620,096	$ -	$ -	$ -	$ -	$ -	$ 12,620,096
Personal care	8,464,945	-	-	-	949,275	-	9,414,220
Residential living:							
Monthly fees	9,828,919	-	-	-	-	-	9,828,919
Amortization of entrance fees	6,079,759	-	-	-	-	-	6,079,759
Ancillary service revenues	786,752	-	-	-	-	-	786,752
Other resident service revenues	655,866	1,371,257	-	652,310	1,845	(12,646)	2,668,632
Net resident service revenues	38,436,337	1,371,257	-	652,310	951,120	(12,646)	41,398,378
Other revenues	3,041,139	285,248	4,657,251	9,253	216,589	(6,445,742)	1,763,738
Donor-restricted contributions used primarily for benevolent care	681,885	69,917	5,155	-	133,803	-	890,760
Total revenues without donor restrictions	42,159,361	1,726,422	4,662,406	661,563	1,301,512	(6,458,388)	44,052,876
Expenses							
Resident services	13,403,604	1,713,495	-	-	510,929	(1,737,903)	13,890,125
General and administrative	6,863,707	97,772	5,806,482	833,771	394,895	(4,720,118)	9,276,509
Depreciation	7,017,636	3,035	20,087	17,162	158,618	-	7,216,538
Plant operations	4,713,785	-	-	15,940	201,745	-	4,931,470
Dining services	4,396,423	-	-	-	228,383	-	4,624,806
Housekeeping, laundry and campus services	2,341,106	-	-	-	51,279	(367)	2,392,018
Admissions, social services, pastoral services and life enrichment	1,708,561	-	-	-	882	-	1,709,443
Interest	3,008,610	-	-	13,267	-	(13,267)	3,008,610
Total expenses	43,453,432	1,814,302	5,826,569	880,140	1,546,731	(6,471,655)	47,049,519
Operating loss	(1,294,071)	(87,880)	(1,164,163)	(218,577)	(245,219)	13,267	(2,996,643)

Landis Communities and Affiliates

Consolidating Schedule, Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2021

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2021
Other Income (Loss)							
Interest and dividend income, net	$ 850,097	$ -	$ -	$ -	$ 40,641	$ (13,267)	$ 877,471
Net realized gain on sales of investments	1,384,478	-	-	-	335	-	1,384,813
Change in net unrealized gains on investments	7,484,511	-	-	-	(2,934)	-	7,481,577
Contributions and bequests	328,604	500	140,891	-	180,445	-	650,440
Loss on disposal or abandonment of property and equipment	(29,044)	-	-	(630)	(7,427)	-	(37,101)
Total other income (loss), net	10,018,646	500	140,891	(630)	211,060	(13,267)	10,357,200
Revenues in Excess of (Less Than) Expenses	8,724,575	(87,380)	(1,023,272)	(219,207)	(34,159)	-	7,360,557
Donor-Restricted Contributions Used for Purchase of Property and Equipment	141,965	-	-	-	4,000	-	145,965
Transfer (to) From Affiliate	(1,160,386)	-	(1,252,868)	56,503	-	2,356,751	-
Change in net assets (deficit) without donor restrictions	7,706,154	(87,380)	(2,276,140)	(162,704)	(30,159)	2,356,751	7,506,522
Net Assets With Donor Restrictions							
Contributions	777,328	94,735	1,054,216	60,126	162,803	(93,076)	2,056,132
Interest and dividend income	38,410	-	-	-	-	-	38,410
Net realized gain on sales of investments	52,114	-	-	-	-	-	52,114
Change in net unrealized gains and losses on investments	439,627	-	-	-	-	-	439,627
Change in value, split-interest agreements	(10,016)	-	-	-	-	-	(10,016)
Transfers	-	-	(49,300)	-	-	49,300	-
Donor-restricted contributions used for:							
Resident assistance program	(551,066)	-	-	-	(30,562)	-	(581,628)
Other	(130,819)	(69,917)	(5,155)	-	(103,241)	-	(309,132)
Purchase of property and equipment	(141,965)	-	-	-	(4,000)	-	(145,965)
Change in net assets with donor restrictions	473,613	24,818	999,761	60,126	25,000	(43,776)	1,539,542
Change in net assets (deficit)	8,179,767	(62,562)	(1,276,379)	(102,578)	(5,159)	2,312,975	9,046,064
Net Assets (Deficit), Beginning	23,608,541	(399,413)	3,424,950	(326,081)	3,338,898	(2,494,711)	27,152,184
Net Assets (Deficit), Ending	$ 31,788,308	$ (461,975)	$ 2,148,571	$ (428,659)	$ 3,333,739	$ (181,736)	$ 36,198,248

Landis Communities and Affiliates

Consolidating Schedule, Cash Flows
Year Ended June 30, 2021

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2021
Cash Flows From Operating Activities							
Change in net assets (deficit)	$ 8,179,767	$ (62,562)	$ (1,276,379)	$ (102,578)	$ (5,159)	$ 2,312,975	$ 9,046,064
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:							
Depreciation	7,017,636	3,035	20,087	17,162	158,618	-	7,216,538
Amortization of deferred financing costs	56,230	-	-	-	-	-	56,230
Change in operating lease right-of-use assets and obligations	-	-	-	490,092	-	-	490,092
Payments on operating lease obligations	-	-	-	(446,801)	-	-	(446,801)
Net realized and unrealized gains (losses) on investments and assets whose use is limited	(9,360,730)	-	-	-	2,599	-	(9,358,131)
Loss on disposal or abandonment of property and equipment	29,044	-	-	630	7,427	-	37,101
Proceeds from entrance fees and deposits, existing units	5,402,900	-	-	-	-	-	5,402,900
Amortization of entrance fees	(6,079,759)	-	-	-	-	-	(6,079,759)
Contributions restricted for long-term purposes	(32,722)	-	-	-	-	-	(32,722)
Contributions, pledges receivable	(65)	-	(93,246)	-	-	-	(93,311)
Change in value, pledges receivable	(1,044)	-	-	-	-	-	(1,044)
Change in split-interest agreements	(12,141)	-	(5,985)	-	-	-	(18,126)
Change in assets and liabilities:							
Accounts receivable	584,435	(7,106)	539	1,147	1,534	-	580,549
Due from/to affiliates	552,556	96,161	1,157,945	546,636	(4,453)	(2,348,845)	-
Prepaid expenses and other current assets	(552,555)	-	(129,974)	(4,723)	(8,042)	-	(695,294)
Accounts payable, trade	(370,445)	(4,635)	(17,766)	6,634	11,338	-	(374,874)
Accrued expenses and other liabilities	(342,339)	7,436	43,612	8,109	(18,642)	(7,906)	(309,730)
Net cash provided by (used in) operating activities	5,070,768	32,329	(301,167)	516,308	145,220	(43,776)	5,419,682
Cash Flows From Investing Activities							
Net sales (purchases) of investments and assets whose use is limited	1,409,975	-	-	-	(41,503)	-	1,368,472
Change in value of investment in limited partnerships	-	16,350	-	(598,618)	7	43,776	(538,485)
Purchase of property and equipment	(3,291,800)	(13,519)	(16,836)	(1,651,537)	(112,004)	-	(5,085,696)
Net cash (used in) provided by investing activities	(1,881,825)	2,831	(16,836)	(2,250,155)	(153,500)	43,776	(4,255,709)
Cash Flows From Financing Activities							
Repayment of long-term debt	(2,692,208)	-	-	-	-	-	(2,692,208)
Proceeds from long-term debt	-	-	-	-	138,670	-	138,670
Proceeds from line of credit	-	-	-	1,789,252	-	-	1,789,252
Proceeds from entrance fees and deposits, new units	61,000	-	-	(1,375)	-	-	59,625
Refunds of entrance fees	(784,664)	-	-	-	-	-	(784,664)
Collections, pledges receivable	90,695	-	-	-	-	-	90,695
Contributions restricted for long-term purposes	32,722	-	-	-	-	-	32,722
Net cash (used in) provided by financing activities	(3,292,455)	-	-	1,787,877	138,670	-	(1,365,908)
Net change in cash and cash equivalents	(103,512)	35,160	(318,003)	54,030	130,390	-	(201,935)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	7,289,785	62,972	1,438,368	67,679	167,322	-	9,026,126
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 7,186,273	$ 98,132	$ 1,120,365	$ 121,709	$ 297,712	$ -	$ 8,824,191

Landis Communities and Affiliates

Consolidating Schedule, Cash Flows
Year Ended June 30, 2021

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2021
Supplemental Disclosure of Cash Flow Information							
Interest paid, net of amounts capitalized	$ 2,971,894	$ -	$ -	$ 13,267	$ -	$ (13,267)	$ 2,971,894
Noncash Investing and Financing Activities							
Accounts payable, capital related	$ 484,560	$ -	$ 18,129	$ 372,523	$ 2,790	$ -	$ 878,002
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents							
Cash and cash equivalents	$ 1,635,215	$ 98,132	$ 1,089,861	$ 121,709	$ 297,712	$ -	$ 3,242,629
Cash and cash equivalents included in assets whose use is limited and investments	5,551,058	-	30,504	-	-	-	5,581,562
Total cash, cash equivalents and restricted cash and cash equivalents	$ 7,186,273	$ 98,132	$ 1,120,365	$ 121,709	$ 297,712	$ -	$ 8,824,191

Attachment III

Resident Contract

(If Not Previously Provided)