

DISCLOSURE STATEMENT

UNDER PENNSYLVANIA ACT 82

October 31, 2023



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.

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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, 2023, there were 656 residents in the residential living area, 88 residents living in personal care, and 100 living in skilled nursing at Landis Homes, for a total of 844 residents.

8) Sample Fees:

Sample Fees for a One Bedroom Residential Living Cottage.

		<u>Single</u>	<u>Double</u>
Entrance Fee: \$127,000	Monthly fees:	\$1,310	\$1,545

9) Loan Agreements:

The details of Landis Homes loan agreements may be found on pages 20 through 22 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.

Glen Moffett, 1001 E. Oregon Road, Lititz, PA 17543
Rachel Hess, 1001 E. Oregon Road, Lititz, PA 17543
Lisa Clark, 1001 E. Oregon Road, Lititz, PA 17543
Kenneth Moore, 1001 E. Oregon Road, Lititz, PA 17543
Janet Breneman, 1001 E. Oregon Road, Lititz, PA 17543
Bill Davis, 1001 E. Oregon Road, Lititz, PA 17543
Gerry Horst, 1001 E. Oregon Road, Lititz, PA 17543
Sherwood Lingenfelter, 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
George Stoltfus, 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.

A Board of Directors of not less than six nor more than twelve members governs Landis Homes. The Landis Communities Board of Directors shall appoint up to nine directors for terms of three years (unless a shorter term is designated by the Landis Homes Board of Directors at appointment). The Landis Homes Board of Directors may recommend nominees. The Landis Communities Board of Directors may appoint up to three 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:

<u>Effective Date</u>	<u>Fee</u>	<u>Increase Amount</u>	<u>Increase Percent</u>
July 1, 2023	\$1,426	\$104	8.0%
July 1, 2022	\$1,322	\$74	5.9%
July 1, 2021	\$1,248	\$48	4.0%
July 1, 2020	\$1,200	\$46	4.0%
July 1, 2019	\$1,154	\$50	4.5%

8) **Reserves**

A reserve fund in the amount of \$3,768,090 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 19 of the attached consolidated financial statements.

9) **Income Statement – Budget to Actual for 2023 and Pro Forma for 2024**

Landis Homes Income Statement				
	June 30, 2023			June 30, 2024
	Actual	Budgeted	Favorable (Unfavorable) Variance	Budgeted
Operating Revenue				
Net Resident Service Revenue	45,711,245	46,480,088	(768,843)	48,861,602
Other Revenue	3,241,217	2,867,706	373,511	2,982,048
Contributions Used Primarily for Benevolent Care	482,450	858,000	(375,550)	955,500
Total Operating Revenue	49,434,912	50,205,795	(770,882)	52,799,150
Operating Expenses				
Resident Services	16,850,070	15,979,269	(870,801)	17,195,730
Dining Services	5,695,240	5,502,416	(192,824)	5,756,101
Housekeeping, Laundry, and Campus Services	2,490,710	2,491,658	948	2,589,579
Outcome Management	2,035,504	1,980,071	(55,433)	2,014,657
Plant Operations	5,210,131	5,154,894	(55,236)	5,399,830
General and Administrative	7,484,685	7,497,290	12,606	8,289,884
Depreciation	7,363,622	7,343,094	(20,528)	7,444,260
Interest	4,104,349	4,077,284	(27,065)	4,031,460
Total Expenses	51,234,311	50,025,977	(1,208,334)	52,721,501
Operating Income(Loss)	(1,799,398)	179,818	(1,979,216)	77,649
Non-Operating Income				
Interest and Dividend Income	1,253,109	552,000	701,109	803,000
Realized Gains (Losses) on Investments	2,259,627	547,500	1,712,127	547,500
Unrealized Gains (Losses) on Investments	1,016,996	1,070,000	(53,005)	1,070,004
Unrestricted Contributions	214,327	90,500	123,827	-
Loss on Disposal of Property and Equipment	-	-	-	-
Loss on Extinguishment of Debt	2,890	-	2,890	-
Total Non-Operating Income	4,746,948	2,260,000	2,486,948	2,420,504
Revenue in Excess(Deficit) of Expenses	2,947,550	2,439,818	507,732	2,498,153
Contributions for Purchase of Property and Equip.	7,000	-	7,000	-
Transfer (To) From Affiliate	(858,000)	(858,000)	-	(308,000)
Forgiveness of Intercompany Bad Debt	-	-	-	-
Change in Unrestricted Net Assets	2,096,550	1,581,818	514,732	2,190,153

Notes to the actual to budget presentation for the 2022/2023 year and the 2023/2024 budget.

The 22/23 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 areas fell significantly in 2020 through 2022. The census in skilled nursing increased to 95% in 2023 but personal care continued to lag through 2022 and 2023 at around 90% versus the budget of 95%. This caused the 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%. Contributions were below budget overall as they are difficult to predict and show the variability of estate giving. The budget amounts for contributions are based on the long-term trend but any one year may spike above or below budget.

Expenses were above budget by almost \$1.2 million. This was caused by the impact of on-going COVID related costs for supplies, high inflation, and higher than anticipated claims on the health insurance plan.

Non-operating income ended the year significantly above budget because of the investment returns.

The budget for 23/24 shows operations return to a new post-pandemic normal. It has been adjusted for fluctuations in expenses and inflation in previous years.

Current Year Audit Presentation

The audited financial statements are included in this disclosure statement as attachment II. Pages 28 through 33 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



**Resident Rates
Effective July 1, 2023**

All Listed Rates Are Daily And Per Person

Residential Suites:	Rate No Advance Fee		
Standard	\$	113.00	
Large, occupied by two persons		101.00	
Large, occupied by single person		164.00	
Apartment, occupied by two persons		113.00	
Apartment, occupied by single person		184.00	
Personal Care Suites:	Base	Intermediate	Enhanced
Standard	\$ 286.00	Base + \$40 (Rate \$326)	Base + \$80 (Rate \$366)
Large, occupied by two persons	275.00	Base + \$40 (Rate \$315)	Base + \$80 (Rate \$355)
Large, occupied by single person	389.00	Base + \$40 (Rate \$429)	Base + \$80 (Rate \$469)
Apartment, occupied by two persons	285.00	Base + \$40 (Rate \$325)	Base + \$80 (Rate \$365)
Apartment, occupied by single person	407.00	Base + \$40 (Rate \$447)	Base + \$80 (Rate \$487)
Personal Care Suites, Memory Support:	Base	Enhanced	
Standard	\$ 421.00	\$ 429.00	
Respite Rates - Additional \$20			
Health Care:	Regular	Memory Support	
Private Room	\$ 603.00	\$ 622.00	
Private Room With Shared Bath	579.00	598.00	

RATES

Residential Living Rate Ranges | *Effective – July 1, 2023*

WEST COTTAGES (571-1294 sq. ft.)

	Entrance Fees	Single Occupancy*
1 Bedroom	\$95,000 - \$127,000	\$1,158 - \$1,310
2 Bedrooms	\$137,000 - \$197,000	\$1,369 - \$1,790
2 Bedrooms w/Family Room	\$191,000 - \$244,000	\$1,689 - \$2,019

SOUTH CAMPUS COTTAGES (1212-1556 sq. ft.)

	Entrance Fees	Single Occupancy*
2 Bedrooms	\$271,000 - \$295,000	\$1,925 - \$1,958
2 Bedrooms/Sunroom	\$328,000 - \$381,000	\$2,176 - \$2,489

HYBRID HOMES (862-1636 sq. ft.)

	Entrance Fees	Single Occupancy*
1 Bedroom	\$185,000 - \$194,000	\$1,660
1 Bedroom w/Den	\$274,000	\$2,232
2 Bedrooms	\$296,000	\$2,290
2 Bedrooms w/Den	\$347,000	\$2,591

Crossings Apartments (1115-1550 sq.ft.)

	Entrance Fees	Single Occupancy*
1 Bedroom w/Den	\$263,000 - \$278,000	\$2,118
2 Bedrooms	\$302,000 - \$327,000	\$2,281 - \$2,422
2 Bedrooms w/Den	\$365,000	\$2,606

West Apartments (357-981 sq. ft.)

	Entrance Fees	Single Occupancy*
Studios	\$56,000 - \$116,000	\$1,001 - \$1,385
1 Bedroom	\$94,000 - \$145,000	\$1,194 - \$1,426
1 Bedroom/Den	\$164,000	\$1,614
2 Bedroom	\$127,000-\$212,000	\$1,330-\$1,912

Residential Suites: *No Entrance Fee*

	Daily Rate Per Person
Standard	\$113.00
Large, occupied by two persons	\$101.00
Large, occupied by single person	\$164.00
Apartment, occupied by two persons	\$113.00
Apartment, occupied by single person	\$184.00

**Add \$235 for second person/double occupancy*

Attachment II

Audited Financial Statements

Landis Communities and Affiliates

Consolidated Financial Statements
and Supplementary Information

June 30, 2023 and 2022

Landis Communities and Affiliates

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June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
Landis Communities and Affiliates

Opinion

We have audited the consolidated financial statements of Landis Communities and Affiliates (collectively, the Corporation), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of June 30, 2023 and 2022, 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 (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and obligated group information on pages 28 to 33 is 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 and cash flows of the individual organizations, and it is 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

Williamsport, Pennsylvania
October 31, 2023

Landis Communities and Affiliates

Consolidated Balance Sheets

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,304,956	\$ 3,477,110
Assets whose use is limited, debt service funds	3,643,595	7,752,644
Accounts receivable:		
Residents, net	2,983,993	2,809,970
Entrance fees	216,000	332,400
Other	244,531	75,027
Prepaid expenses and other current assets	<u>440,573</u>	<u>2,288,309</u>
Total current assets	<u>18,833,648</u>	<u>16,735,460</u>
Assets Whose Use is Limited		
Board-designated investments	3,944,964	3,386,311
Statutory minimum liquid reserve	3,768,090	3,713,480
Donor-restricted investments	3,873,684	2,366,265
Debt service reserve fund	7,239,941	7,239,941
Resident deposits	<u>145,069</u>	<u>-</u>
Total assets whose use is limited	18,971,748	16,705,997
Investments	36,483,989	31,643,435
Investment in Limited Partnerships	1,392,436	1,490,675
Property and Equipment, Net	137,193,877	123,402,105
Operating Lease, Right-of-Use Assets	2,159,648	2,571,966
Pledges Receivable, Net	187,746	126,715
Split-Interest Agreements	206,156	241,210
Other Assets	<u>1,028,490</u>	<u>989,855</u>
Total assets	<u><u>\$ 216,457,738</u></u>	<u><u>\$ 193,907,418</u></u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Balance Sheets

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of:		
Long-term debt	\$ 1,260,000	\$ 1,045,000
Operating lease obligations	434,540	418,777
Accounts payable:		
Trade	1,107,008	555,251
Capital related	2,134,301	3,225,255
Accrued expenses:		
Salaries and wages	763,513	669,990
Paid time off	806,814	803,081
Interest	2,146,520	2,119,816
Other	650,517	727,451
Refundable advance, Employee Retention Credit (Note 8)	7,394,180	-
	<u>16,697,393</u>	<u>9,564,621</u>
Total current liabilities		
	16,697,393	9,564,621
Long-Term Debt	123,742,307	109,375,864
Operating Lease Obligations	1,882,025	2,316,565
Deposits for Capital Additions	105,000	77,000
Refundable Entrance Fees and Deposits	443,034	499,786
Deferred Revenues From Nonrefundable Entrance Fees	41,001,047	42,249,899
	<u>183,870,806</u>	<u>164,083,735</u>
Total liabilities		
Net Assets		
Without donor restrictions	27,958,508	25,866,292
With donor restrictions	4,628,424	3,957,391
	<u>32,586,932</u>	<u>29,823,683</u>
Total net assets		
	32,586,932	29,823,683
Total liabilities and net assets	<u>\$ 216,457,738</u>	<u>\$ 193,907,418</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Operations
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues Without Donor Restrictions		
Net resident service revenues	\$ 49,310,126	\$ 45,570,217
Other revenues	1,409,077	1,455,390
Donor-restricted contributions used primarily for benevolent care	716,966	714,843
	<u>51,436,169</u>	<u>47,740,450</u>
Expenses		
Resident services	17,346,811	15,293,890
General and administrative	9,379,055	8,646,178
Depreciation	7,652,620	7,331,092
Plant operations	5,401,530	4,657,049
Dining services	6,007,680	5,026,871
Housekeeping, laundry and campus services	2,607,860	2,355,141
Admissions, social services, pastoral services and life enrichment	2,041,402	1,732,238
Interest	4,180,560	3,865,000
	<u>54,617,518</u>	<u>48,907,459</u>
Total expenses	<u>54,617,518</u>	<u>48,907,459</u>
Operating loss	<u>(3,181,349)</u>	<u>(1,167,009)</u>
Other Income (Loss)		
Interest and dividend income	1,277,889	768,661
Net realized gain on sales of investments	2,257,956	2,619,973
Change in net unrealized gains and losses on investments	1,017,536	(8,663,009)
Contributions and bequests	559,045	304,778
Loss on disposal or abandonment of property and equipment	(337,146)	(65,416)
Loss on extinguishment of debt	-	(530,665)
	<u>4,775,280</u>	<u>(5,565,678)</u>
Total other income (loss), net	<u>4,775,280</u>	<u>(5,565,678)</u>
Revenues in excess of (less than) expenses	1,593,931	(6,732,687)
Donor-Restricted Contributions Used for Purchase of Property and Equipment		
	<u>498,285</u>	<u>130,770</u>
Change in net assets without donor restrictions	<u>\$ 2,092,216</u>	<u>\$ (6,601,917)</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Assets Without Donor Restrictions		
Change in net assets without donor restrictions	\$ 2,092,216	\$ (6,601,917)
Net Assets With Donor Restrictions		
Contributions	1,698,783	1,328,431
Interest and dividend income	34,528	36,119
Net realized gain on sales of investments	109,874	134,625
Change in net unrealized gains (losses) on investments	75,998	(451,781)
Change in value, split-interest agreements	(32,899)	25,571
Donor-restricted contributions used for:		
Resident assistance program	(551,182)	(563,559)
Adult day care program	(59,685)	(47,927)
Other	(106,099)	(103,357)
Purchase of property and equipment	(498,285)	(130,770)
Change in net assets with donor restrictions	671,033	227,352
Change in net assets	2,763,249	(6,374,565)
Net Assets, Beginning	<u>29,823,683</u>	<u>36,198,248</u>
Net Assets, Ending	<u>\$ 32,586,932</u>	<u>\$ 29,823,683</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 2,763,249	\$ (6,374,565)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,652,620	7,331,092
Amortization of deferred financing costs	84,778	72,994
Amortization of bond premium	(163,504)	(122,823)
Change in operating lease right-of-use assets and obligations	456,758	479,758
Payments on operating lease obligations	(463,217)	(455,758)
Net realized and unrealized gains and losses on investments and assets whose use is limited	(3,461,364)	6,043,036
Loss on disposal or abandonment of property and equipment	337,146	65,416
Loss on extinguishment of debt	-	530,665
Forgiveness of Paycheck Protection Program Loan	-	(138,670)
Proceeds from entrance fees and deposits, existing units	6,575,200	6,186,800
Amortization of entrance fees	(6,675,050)	(6,774,466)
Contributions restricted for long-term purposes	(41,724)	(28,337)
Contributions, pledges receivable	(129,757)	(115,382)
Change in value, pledges receivable	573	11,165
Change in split-interest agreements	35,054	96,976
Change in assets and liabilities:		
Accounts receivable	(343,527)	(473,090)
Prepaid expenses and other assets	1,809,101	(1,814,594)
Accounts payable, trade	551,757	134,286
Accrued expenses and other liabilities	47,026	938,738
Refundable advance, Employee Retention Credit	7,394,180	-
Net cash provided by operating activities	<u>16,429,299</u>	<u>5,593,241</u>
Cash Flows From Investing Activities		
Net (purchases) sales of investments and assets whose use is limited	(2,150,969)	872,130
Change in value of investment in limited partnerships	(151,658)	(322,231)
Purchase of property and equipment	<u>(22,622,595)</u>	<u>(11,037,885)</u>
Net cash used in investing activities	<u>(24,925,222)</u>	<u>(10,487,986)</u>
Cash Flows From Financing Activities		
Repayment of long-term debt	(1,045,000)	(1,446,871)
Proceeds from long-term debt	15,770,169	20,295,540
Payment of financing costs	(65,000)	(1,139,857)
Payments on line of credit	-	(1,789,252)
Proceeds from entrance fees and deposits, new units	89,261	53,638
Refunds of entrance fees	(1,150,615)	(1,049,092)
Collections, pledges receivable	68,153	117,910
Contributions restricted for long-term purposes	41,724	28,337
Net cash provided by financing activities	<u>13,708,692</u>	<u>15,070,353</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	5,212,769	10,175,608
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>18,999,799</u>	<u>8,824,191</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 24,212,568</u>	<u>\$ 18,999,799</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	<u>\$ 4,232,582</u>	<u>\$ 2,933,358</u>
Noncash Investing and Financing Activities		
Accounts payable, capital related	<u>\$ 2,134,301</u>	<u>\$ 3,225,255</u>
Amounts refinanced through issuance of long-term debt	<u>\$ -</u>	<u>\$ 47,880,006</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 11,304,956	\$ 3,477,110
Cash and cash equivalents included in assets whose use is limited and investments	<u>12,907,612</u>	<u>15,522,689</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 24,212,568</u>	<u>\$ 18,999,799</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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), Landis Place on King (LPK), Quality Living Choices (QLC), Welsh Mountain Home (WMH), Landis Quality Living (LQL) and Landis HCBS, LLC (HCBS); to support the mission, operations and residents of LHRC, LPK, QLC, 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, LPK, QLC, 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.
- 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 and other affordable housing options, including rental units, to meet the needs for senior adults, to promote community among the residents and to provide access to home health services and other retirement community services as elected by the residents. LQL owns and operates QLC and LPK, rental properties in Lancaster, Pennsylvania. QLC opened in 2013 and LPK opened in 2023.
- 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).

LHRC and LPK comprise the Corporation's Obligated Group (the Obligated Group).

Principles of Consolidation

The consolidated financial statements include the accounts of LC, LHRC, LPK, QLC, WMH, LQL and HCBS. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements of the Corporation.

During 2022, the Corporation determined that amounts due from HCBS to LHRC were determined to not be recoverable, and therefore, a forgiveness of the amounts was recognized. These amounts are eliminated in consolidation.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 \$0 and \$14,577 as of June 30, 2023 and 2022, 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 (less than) 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.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 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 right-of-use 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. Right-of-use 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 related to these costs is included as a component of interest expense.

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 Partnerships

WMH, Inc. is a co-general partner (.0051% interest) along with Housing Development Corporation MidAtlantic (HDC) (.0049% 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 \$629,936 and \$629,944 at June 30, 2023 and 2022, respectively, including a change in value of (\$8) during the fiscal years ended June 30, 2023 and 2022.

LQL is a co-general partner (50% interest) along with an unrelated organization (50% 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 \$762,500 and \$860,731 at June 30, 2023 and 2022, respectively. Equity contributions made to this joint venture totaled \$151,666 and \$322,239 in 2023 and 2022, respectively.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

Subsequent to year-end, LQL entered into an agreement to sell its ownership interest to the unrelated organization who holds the other 50% interest. This transaction is expected to close in October 2023. LQL recorded a loss in the amount of \$249,897 during 2023 to reduce its investment down to the net realizable value as of June 30, 2023; this loss is recorded as a component of loss on disposal or abandonment of property and equipment in the consolidated statement of operations.

Entrance Fees

Under certain entrance fee plans for residential living units, LHRC receives payments in advance. Residential living apartment and cottage residents had two entrance plan options, a "refundable" option and a "nonrefundable" option. The refundable option has a guaranteed refund component, which is 90%, 50% or 25% of the entrance fee paid, with the balance generally refundable on a decreasing basis over 80 months for contracts entered into prior to June 30, 2022. The nonrefundable option had no guaranteed refund component and is generally refundable on a decreasing basis for 80 months for contracts entered into prior to June 30, 2022. Effective July 1, 2022, all new entrance fee contracts (refundable 90%, 50%, 25% and nonrefundable option) are amortized at the rate of 2% per month. The contracts are fully amortized after 5, 25, 37.5 and 50 months, respectively. All refunds to residents are generally paid upon termination of the resident agreement or transfer to another level of care. At June 30, 2023 and 2022, the gross amount of contractual refund obligations under existing resident agreements approximated \$20,800,000 and \$21,900,000, 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.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 \$6,675,050 in 2023 and \$6,774,466 in 2022.

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.

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

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 21,100 and 23,700 hours in 2023 and 2022, respectively, were contributed to the Corporation for these services.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 \$1,602,000 and \$1,399,000 in 2023 and 2022, respectively. The Corporation received contributions restricted for benevolent care of \$531,398 and \$576,186 in 2023 and 2022, 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 \$2,760,000 in 2023 and \$2,656,000 in 2022.

Income Taxes

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

Measure of Operations

The Corporation's operating loss 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 (less than) expenses. Changes in net assets without donor restrictions which are excluded from the determination of revenues in excess of (less than) 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.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

New Accounting Pronouncement Adopted

During March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. The Corporation elected the optional practical expedient for debt contract modifications related to the discontinuation of reference rates included on ASU No. 2020-04 during 2023. The adoption of the optional practical expedient has not and is not expected to have a material effect on the consolidated financial statements.

New Accounting Standards Not Yet Adopted

During 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 was amended several times between November 2018 through March 2020 to clarify, correct errors in, and improve the guidance. ASU No. 2016-13 (as amended) is effective for the Corporation's year ending June 30, 2024. The Corporation is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through October 31, 2023, the date the consolidated financial statements were issued.

Reclassifications

Certain amounts and balances in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation.

2. Liquidity and Availability of Resources

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 11,199,956	\$ 3,400,110
Accounts receivable:		
Residents, net	2,983,993	2,809,970
Entrance fees	216,000	332,400
Other	244,531	75,027
Investments	<u>35,729,249</u>	<u>30,052,309</u>
Total	<u>\$ 50,373,729</u>	<u>\$ 36,669,816</u>

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

Cash and cash equivalents included in the table above exclude deposits for capital additions of \$105,000 and \$77,000 as of June 30, 2023 and 2022, respectively. Investments included in the table above exclude net assets with donor restrictions in excess of assets whose use is limited donor-restricted investments of \$754,740 and \$1,591,126 as of June 30, 2023 and 2022, respectively. The Corporation has Board-designated assets whose use is limited of \$3,944,964 and \$3,386,311 at June 30, 2023 and 2022, respectively, which are excluded from the table above. Although the Corporation does not intend to utilize these funds for general expenditures 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 - The Pennsylvania Department of Human Services has a 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.

Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). The rates paid by the MCOs were subject to a "floor" through December 31, 2022. The "floor" was equal to the average of each of the LHRC's prior four quarters (i.e. January 1, 2019 through December 31, 2019) medical assistance rates. Effective January 1, 2023, nursing services provided to medical assistance program beneficiaries are paid by the MCOs at prospectively determined rates per day. These rates will be adjusted quarterly based on the resident classification system that is based on clinical, diagnostic and other factors.

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.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 revenues and cash flows as affected by economic factors. Net resident service revenues consist of the following for the years ended June 30:

	2023			
	Personal Care	Independent Living	Skilled Nursing	Total
Self-pay	\$ 10,811,151	\$ 10,652,735	\$ 12,254,667	\$ 33,718,553
Medicare and other	-	-	3,113,844	3,113,844
Medicaid	-	-	1,532,705	1,532,705
Amortization of nonrefundable entrance fees	-	6,675,050	-	6,675,050
Subtotal	<u>\$ 10,811,151</u>	<u>\$ 17,327,785</u>	<u>\$ 16,901,216</u>	45,040,152
Ancillary service revenues				885,343
Other resident service revenues				<u>3,384,631</u>
Net resident service revenues				<u>\$ 49,310,126</u>
	2022			
	Personal Care	Independent Living	Skilled Nursing	Total
Self-pay	\$ 10,439,034	\$ 9,991,588	\$ 9,914,208	\$ 30,344,830
Medicare and other	-	-	2,867,834	2,867,834
Medicaid	-	-	1,826,183	1,826,183
Amortization of nonrefundable entrance fees	-	6,774,466	-	6,774,466
Subtotal	<u>\$ 10,439,034</u>	<u>\$ 16,766,054</u>	<u>\$ 14,608,225</u>	41,813,313
Ancillary service revenues				797,439
Other resident service revenues				<u>2,959,465</u>
Net resident service revenues				<u>\$ 45,570,217</u>

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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:

	2023				
	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	\$ 9,731,505	\$ 9,731,505	\$ 9,731,505	\$ -	\$ -
Large cap	9,093,199	9,093,199	9,093,199	-	-
Small cap	1,507,067	1,507,067	1,507,067	-	-
Tactical	2,218,927	2,218,927	2,218,927	-	-
Mid cap	2,663,785	2,663,785	2,663,785	-	-
Real estate	2,253,786	2,253,786	2,253,786	-	-
Mutual funds, fixed income:					
Intermediate term	7,049,186	7,049,186	7,049,186	-	-
Short-term	2,067,348	2,067,348	2,067,348	-	-
Marketable equity securities:					
Other	8,888,421	8,888,421	8,888,421	-	-
	45,473,224	\$ 45,473,224	\$ 45,473,224	\$ -	\$ -
Cash and cash equivalents	13,626,108				
Total investments and assets whose use is limited	\$ 59,099,332				
Split-interest agreements	\$ 206,156	\$ 206,156	\$ -	\$ -	\$ 206,156

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

	2022				
	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	\$ 7,820,439	\$ 7,820,439	\$ 7,820,439	\$ -	\$ -
Large cap	9,142,424	9,142,424	9,142,424	-	-
Small cap	1,119,573	1,119,573	1,119,573	-	-
Tactical	1,868,533	1,868,533	1,868,533	-	-
Mid cap	2,300,308	2,300,308	2,300,308	-	-
Real estate	2,089,636	2,089,636	2,089,636	-	-
Mutual funds, fixed income:					
Intermediate term	6,526,623	6,526,623	6,526,623	-	-
Short-term	1,902,934	1,902,934	1,902,934	-	-
Marketable equity securities:					
Other	5,112,233	5,112,233	5,112,233	-	-
	<u>37,882,703</u>	<u>\$ 37,882,703</u>	<u>\$ 37,882,703</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>18,219,373</u>				
Total investments and assets whose use is limited	<u>\$ 56,102,076</u>				
Split-interest agreements	<u>\$ 241,210</u>	<u>\$ 241,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,210</u>

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:

	2023	2022
Investments	\$ 36,483,989	\$ 31,643,435
Assets whose use is limited:		
Board-designated investments	3,944,964	3,386,311
Statutory minimum liquid reserve	3,768,090	3,713,480
Donor-restricted investments	3,873,684	2,366,265
Debt service funds, current	3,643,595	7,752,644
Debt service reserve fund	7,239,941	7,239,941
Resident deposits	145,069	-
Total	<u>\$ 59,099,332</u>	<u>\$ 56,102,076</u>

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 \$3,768,090 at June 30, 2023 and \$3,713,480 at June 30, 2022. The reserve at June 30, 2023 was calculated as follows:

Budgeted resident living operating expenses for the year ending June 30, 2024	\$	16,892,087
Less budgeted resident living depreciation and amortization expense		<u>(6,033,204)</u>
Expenses subject to minimum liquidation reserve requirement		10,858,883
Statutory requirement		<u>10%</u>
Statutory minimum liquid reserve requirement	\$	<u>1,085,888</u>
Budgeted debt service requirements for the year ending June 30, 2024		
Principal	\$	1,260,000
Interest		<u>4,416,000</u>
Total budgeted debt service requirements		5,676,000
Percentage of units subject to entrance fee agreements		<u>69%</u>
Statutory minimum liquid reserve requirement	\$	<u>3,768,090</u>
Greater of (a) or (b) above	\$	<u>3,768,090</u>

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:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,985,424	\$ 1,985,424
Land improvements	10,895,026	11,101,121
Buildings and building improvements	164,605,014	140,111,507
Major moveable equipment	34,476,406	32,797,314
Furniture and equipment	11,607,840	12,006,582
Total	<u>223,569,710</u>	<u>198,001,948</u>
Less accumulated depreciation	<u>88,256,241</u>	<u>86,200,523</u>
Total	135,313,469	111,801,425
Construction-in-progress	<u>1,880,408</u>	<u>11,600,680</u>
Property and equipment, net	<u>\$ 137,193,877</u>	<u>\$ 123,402,105</u>

Construction-in-progress at June 30, 2023 and 2022 includes expenditures related to various ongoing capital projects.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

6. Lines of Credit

LHRC has an \$800,000 unsecured, revolving demand line of credit with a bank which expires on December 31, 2023. The line of credit bears interest at the SOFR index plus 2.25% per annum (7.34% at June 30, 2023). There were no borrowings at June 30, 2023 or 2022.

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 (8.25% at June 30, 2023). There were no borrowings outstanding at June 30, 2023 or 2022.

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 SOFR index plus 1.95% per annum (7.04% at June 30, 2023). 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 were no borrowings outstanding on this line of credit at June 30, 2023 or 2022.

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%, \$5,450,000 10 year term bonds maturing July 1, 2021 to July 1, 2025 at 3.80%, \$6,665,000 15 year term bonds maturing July 1, 2026 to July 1, 2030 at 4.25%, \$8,400,000 20 year term bonds maturing July 1, 2031 to 2035 at 5.00% and \$24,645,000 30 year term bonds maturing July 1, 2036 to July 1, 2045 at 5.00%. As of July 1, 2018, LAH was withdrawn from the Obligated Group leaving LHRC as the sole Obligor. On August 18, 2021, LPK was added to the Obligated Group as part of the bond refinancing.

Series 2021 Bonds

On August 18, 2021, the Lancaster Industrial Development Authority issued, on behalf of the Obligated Group, Series of 2021 Revenue Bonds (2021 Revenue Bonds), debt in the maximum principal amount of \$25,000,000 to fund construction of LPK. The 2021 Revenue Bonds are tax-exempt direct placement bonds with interest only payable monthly during the 24-month construction period. Beginning September 2023, payments of principal and interest are due monthly. Interest is payable at a rate of 2.35% through August 2031 at which time the interest rate will be equal to 79% of the SOFR rate plus 158 basis points or a minimum of 2.13%.

On September 1, 2021, the Lancaster Industrial Development Authority issued, on behalf of the Obligated Group, Series of 2021 Refunding Bonds (the 2021 Refunding Bonds) in the principal amount of \$53,385,000 to fund various capital projects, refinance the 2015B Bonds, 2015C Bonds and 2017B Bonds and pay the costs of issuance. The 2021 Refunding Bonds are tax-exempt and consist of \$1,760,000 10 year term bonds maturing July 1, 2023 to July 1, 2031 at 4.00%, \$1,440,000 16 year term bonds maturing July 1, 2032 to July 1, 2037 at 4.00%, \$5,905,000 25 year term bonds maturing July 1, 2038 to July 1, 2046 at 4.00%, \$19,980,000 30 year term bonds maturing July 1, 2047 to July 1, 2051 at 4.00%, \$24,300,000 35 year term bonds maturing July 1, 2052 to July 1, 2056 at 4.00%.

In conjunction with issuance of the 2021 Refunding Bonds during 2022, a loss on extinguishment of debt was recognized of \$530,665 in the consolidated statements of operations which represents the write-off of deferred financing costs associated with the refinanced bonds.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

LPK Loan

On August 18, 2021, LPK received a loan (the LPK Loan) in the maximum principal amount of \$1,550,000 to fund construction of LPK. Beginning January 2022, payments of interest only are due semi-annually at a rate of 5.00% until maturity in August 2031 at which time the outstanding principal and any outstanding interest are due.

HOME Loan

On November 4, 2021, LPK entered into a loan agreement with the City of Lancaster for \$752,000 in HOME Investment Partner Program funds for the construction of LPK. The balance outstanding at June 30, 2023 under this agreement is \$376,000; no amounts were outstanding at June 30, 2022. Interest only payments are due on December 31 of each year, and interest began accruing on this loan effective January 1, 2023 at the annual rate of 1%. This loan matures on December 31, 2051.

Interest

Interest expense on all debt totaled \$4,180,560 and \$3,865,000 (including amortization of deferred financing costs) during 2023 and 2022, respectively, net of \$457,289 and \$178,782 capitalized during 2023 and 2022, respectively.

Security and Covenants

The Bonds are primarily secured by a mortgage lien on and security interest in, the Obligated Group's property and equipment and revenues, as defined in the applicable agreements. The Bonds require the Obligated Group to meet certain financial ratios.

The LPK Loan is secured by a mortgage lien on and security interest in LPK's property and equipment.

Long-Term Debt Summary

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

	<u>2023</u>	<u>2022</u>
2015A Bonds	\$ 43,105,000	\$ 44,150,000
2021 Revenue Bonds	24,055,985	8,661,816
2021 Refunding Bonds	53,385,000	53,385,000
LPK Loan	1,550,000	1,550,000
HOME Loan	376,000	-
Total	122,471,985	107,746,816
Less current maturities	(1,260,000)	(1,045,000)
Plus bond premium	4,292,403	4,455,907
Less unamortized deferred financing costs	(1,762,081)	(1,781,859)
Long-term debt	<u>\$ 123,742,307</u>	<u>\$ 109,375,864</u>

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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

Years ending June 30:	
2024	\$ 1,260,000
2025	1,841,904
2026	1,953,464
2027	2,017,562
2028	2,091,994
Thereafter	<u>113,307,061</u>
Total	<u>\$ 122,471,985</u>

8. Employee Retention Credit

The Employee Retention Credit (ERC), which was included part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer.

The Corporation's operations were partially suspended during the time period of March 6, 2020 to November 12, 2021 due to Government orders from the Centers of Medicare and Medicaid Services (CMS) and the Commonwealth of Pennsylvania through the Governor's office or Pennsylvania Department of Health Nursing Division Office of Long-Term Living limiting certain of its activities due to COVID-19. As such, the Corporation claimed credits of \$7,875,909 during the year ended June 30, 2022 on amended timely filed Forms 941 for the first, second and third calendar quarters of 2021. The Corporation received \$8,181,650, which includes interest of \$305,741 during the fiscal year ended June 30, 2023.

Authoritative guidance requires nonprofit organizations follow FASB ASC 958-605 for revenue recognition related to the ERC. This guidance requires the conditions of the grant to be substantially met for recognition. It also requires ERC payments received before the conditions have been substantially met to be recorded as a refundable advance (liability). While management believes that it qualifies for the ERC under the credit's partial suspension provisions, current uncertainty exists around the Internal Revenue Service interpretation of the ERC eligibility barriers, so the Corporation has not recorded the ERC credits received during 2023 as COVID-19 grant income; instead, it has recorded it as a refundable advance, Employee Retention Credit in the consolidated balance sheets.

The Corporation will record the ERC funds received as COVID-19 grant income when it is able to determine that the ERC eligibility barriers have been substantially met, in accordance with authoritative guidance, or the statute of limitations has expired.

9. Retirement Plan

Landis Communities sponsors a defined contribution retirement plan. Contributions to the plan were \$715,931 in 2023 and \$681,256 in 2022.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. 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:

	<u>2023</u>	<u>2022</u>
Net Assets		
Without donor restrictions:		
Operating reserve	\$ 24,392,379	\$ 22,696,265
Board-designated, endowment funds	<u>3,566,129</u>	<u>3,170,027</u>
Total net assets without donor restrictions	<u>27,958,508</u>	<u>25,866,292</u>
With donor restrictions:		
Purpose restricted:		
Resident assistance program	152,274	159,771
Endowment funds appreciation	657,975	472,102
Capital projects	2,107,794	1,572,413
Other	268,054	345,934
Restricted in perpetuity:		
Endowment funds	<u>1,442,327</u>	<u>1,407,171</u>
Total net assets with donor restrictions	<u>4,628,424</u>	<u>3,957,391</u>
Total net assets	<u>\$ 32,586,932</u>	<u>\$ 29,823,683</u>

11. 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.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 \$2,100,302 and \$1,879,273 at June 30, 2023 and 2022, 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 \$3,566,129 and \$3,170,027 at June 30, 2023 and 2022, 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, 2023 and 2022 are composed of the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,170,027	\$ 1,879,273	\$ 5,049,300
Investment gain (including interest and dividends and realized and unrealized gains and losses)	387,775	220,397	608,172
Contributions	214,327	41,724	256,051
Change in value, split-interest agreements	-	(7,701)	(7,701)
Other	(206,000)	(33,391)	(239,391)
Endowment net assets, end of year	<u>\$ 3,566,129</u>	<u>\$ 2,100,302</u>	<u>\$ 5,666,431</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,668,578	\$ 2,131,511	\$ 5,800,089
Investment loss (including interest and dividends and realized and unrealized gains and losses)	(492,480)	(281,037)	(773,517)
Contributions	38,929	28,335	67,264
Change in value, split- interest agreements	-	464	464
Other	(45,000)	-	(45,000)
Endowment net assets, end of year	<u>\$ 3,170,027</u>	<u>\$ 1,879,273</u>	<u>\$ 5,049,300</u>

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

12. 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. Effective July 1, 2022, the Organization changed from an advance funding of the health insurance plan to funding actual claims on a weekly basis. Landis Communities holds a stop-loss policy of \$235,000 per eligible employee that limits the maximum liability for benefits payable under such claims. Self-insurance costs incurred under this program were \$4,156,472 and \$2,524,037 in 2023 and 2022, respectively. On the consolidated balance sheets, accrued expenses, other includes \$295,666 and \$302,312 at June 30, 2023 and 2022, respectively, for reserves for anticipated health insurance costs. On the consolidated balance sheets, prepaid expenses and other current assets, includes \$0 and \$1,558,523 at June 30, 2023 and 2022, respectively, for prepaid health insurance costs. Management believes no instances occurred or will be asserted that will exceed the insurance coverage stated in the policies.

13. 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.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

14. 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 five years with each option. For leases 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, 2023 were as follows:

Years ending June 30:		
2024	\$	471,127
2025		479,528
2026		488,081
2027		496,787
2028		483,176
		<hr/>
Total		2,418,699
Less:		
Amounts representing present value		102,134
Current portion		434,540
		<hr/>
Long-term obligation	\$	<u>1,882,025</u>

Operating lease costs were \$456,758 and \$479,084 in 2023 and 2022, respectively, and are included in general and administrative expenses in the accompanying consolidated statements of operations.

Other supplemental information as of and for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term:		
Operating lease obligations	4.96 years	5.96 years
Weighted-average discount rate:		
Operating lease obligations	1.76%	1.76%

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

15. 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.

16. 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 2023 and 2022:

	2023			
	Resident Services	General and Administrative	Fundraising	Consolidated Total
Salaries and wages	\$ 18,027,945	\$ 4,160,668	\$ 214,186	\$ 22,402,799
Employee benefits and payroll taxes	6,260,018	1,100,873	63,580	7,424,471
Professional fees and purchased services	2,149,223	622,289	11,213	2,782,725
Nursing home assessment	-	275,080	-	275,080
Depreciation	7,529,884	122,736	-	7,652,620
Interest	4,144,100	36,460	-	4,180,560
Supplies and other expenses	6,968,097	2,855,792	75,374	9,899,263
Total expenses	<u>\$ 45,079,267</u>	<u>\$ 9,173,898</u>	<u>\$ 364,353</u>	<u>\$ 54,617,518</u>
	2022			
	Resident Services	General and Administrative	Fundraising	Consolidated Total
Salaries and wages	\$ 16,421,353	\$ 4,077,732	\$ 230,747	\$ 20,729,832
Employee benefits and payroll taxes	4,597,075	747,365	60,272	5,404,712
Professional fees and purchased services	2,182,658	469,951	9,602	2,662,211
Nursing home assessment	-	176,797	-	176,797
Depreciation	7,213,513	117,579	-	7,331,092
Interest	3,831,292	33,708	-	3,865,000
Supplies and other expenses	5,864,103	2,766,190	107,522	8,737,815
Total expenses	<u>\$ 40,109,994</u>	<u>\$ 8,389,322</u>	<u>\$ 408,143</u>	<u>\$ 48,907,459</u>

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, 2023

	Landis Homes Retirement Community	Landis Place on King	Eliminations	Obligated Group	Landis HCBS	Landis Communities	Landis Quality Living	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2023
Assets											
Current Assets											
Cash and cash equivalents	\$ 9,344,033	\$ 607,369	\$ -	\$ 9,951,402	\$ 164,671	\$ 641,910	\$ 452	\$ 24,514	\$ 522,007	\$ -	\$ 11,304,956
Assets whose use is limited, debt service funds	3,643,595	-	-	3,643,595	-	-	-	-	-	-	3,643,595
Accounts receivable:											
Residents, net	2,747,905	8,986	-	2,756,891	223,872	2,521	-	704	5	-	2,983,993
Advance fees	216,000	-	-	216,000	-	-	-	-	-	-	216,000
Other	(489)	-	-	(489)	532	1,976	242,512	-	-	-	244,531
Due from affiliates	1,251,520	-	(472,000)	779,520	2,476	3,420,765	-	1,000	91	(4,203,852)	-
Prepaid expenses and other current assets	355,205	1,036	-	356,241	-	27,440	-	40,075	16,817	-	440,573
Total current assets	17,557,769	617,391	(472,000)	17,703,160	391,551	4,094,612	242,964	66,293	538,920	(4,203,852)	18,833,648
Assets Whose Use is Limited											
Board-designated investments	3,772,129	-	-	3,772,129	-	-	-	-	172,835	-	3,944,964
Statutory minimum liquid reserve	3,768,090	-	-	3,768,090	-	-	-	-	-	-	3,768,090
Donor-restricted investments	2,106,534	-	-	2,106,534	-	855,943	-	-	911,207	-	3,873,684
Debt service reserve fund	7,239,941	-	-	7,239,941	-	-	-	-	-	-	7,239,941
Resident deposits	-	92,161	-	92,161	-	-	-	52,908	-	-	145,069
Total assets whose use is limited	16,886,694	92,161	-	16,978,855	-	855,943	-	52,908	1,084,042	-	18,971,748
Investments	36,483,989	-	-	36,483,989	-	-	-	-	-	-	36,483,989
Investment in Limited Partnerships	-	71,877	-	71,877	-	-	865,825	-	629,936	(175,202)	1,392,436
Property and Equipment, Net	107,404,845	27,113,097	-	134,517,942	17,991	246,076	-	64,402	2,347,466	-	137,193,877
Operating Lease, Right-of-Use Assets	-	-	-	-	-	-	-	2,159,648	-	-	2,159,648
Pledges Receivable, Net	1,000	-	-	1,000	-	65,065	-	-	121,681	-	187,746
Split-Interest Agreements	201,441	-	-	201,441	-	4,715	-	-	-	-	206,156
Other Assets	977,685	-	-	977,685	-	50,805	-	-	-	-	1,028,490
Total assets	<u>\$ 179,513,423</u>	<u>\$ 27,894,526</u>	<u>\$ (472,000)</u>	<u>\$ 206,935,949</u>	<u>\$ 409,542</u>	<u>\$ 5,317,216</u>	<u>\$ 1,108,789</u>	<u>\$ 2,343,251</u>	<u>\$ 4,722,045</u>	<u>\$ (4,379,054)</u>	<u>\$ 216,457,738</u>

Landis Communities and Affiliates

 Consolidating Schedule, Balance Sheet
 June 30, 2023

	Landis Homes Retirement Community	Landis Place on King	Eliminations	Obligated Group	Landis HCBS	Landis Communities	Landis Quality Living	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2023
Liabilities and Net Assets (Deficit)											
Current Liabilities											
Current portion of:											
Long-term debt	\$ 1,260,000	\$ -	\$ -	\$ 1,260,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,260,000
Operating lease obligations	-	-	-	-	-	-	-	434,540	-	-	434,540
Accounts payable:											
Trade	246,185	-	-	246,185	-	860,502	-	-	321	-	1,107,008
Due to affiliate	1,419,654	664,743	(472,000)	1,612,397	363,313	54,662	1,741,505	288,421	52,455	(4,112,753)	-
Capital related	4,708	1,317,362	-	1,322,070	-	812,231	-	-	-	-	2,134,301
Accrued expenses:											
Salaries and wages	613,514	-	-	613,514	48,119	138,719	-	-	11,280	(48,119)	763,513
Paid time off	552,492	-	-	552,492	36,506	239,213	-	-	15,109	(36,506)	806,814
Interest	2,099,961	46,559	-	2,146,520	-	-	-	-	-	-	2,146,520
Other	511,832	12,581	-	524,413	6,745	90,522	-	7,190	28,121	(6,474)	650,517
Refundable advance, Employee Retention Credit (Note 8)	6,373,251	-	-	6,373,251	-	803,615	-	-	217,314	-	7,394,180
Total current liabilities	13,081,597	2,041,245	(472,000)	14,650,842	454,683	2,999,464	1,741,505	730,151	324,600	(4,203,852)	16,697,393
Long-Term Debt	98,022,553	25,719,754	-	123,742,307	-	-	-	-	-	-	123,742,307
Operating Lease Obligations	-	-	-	-	-	-	-	1,882,025	-	-	1,882,025
Deposits for Capital Addition	105,000	-	-	105,000	-	-	-	-	-	-	105,000
Refundable Entrance Fees and Deposits	291,185	95,241	-	386,426	-	-	-	56,608	-	-	443,034
Deferred Revenues From Nonrefundable Entrance Fees	41,001,047	-	-	41,001,047	-	-	-	-	-	-	41,001,047
Total liabilities	152,501,382	27,856,240	(472,000)	179,885,622	454,683	2,999,464	1,741,505	2,668,784	324,600	(4,203,852)	183,870,806
Net Assets (Deficit)											
Without donor restrictions	24,712,867	(33,591)	-	24,679,276	(115,541)	1,199,918	(736,041)	(325,533)	3,256,429	-	27,958,508
With donor restrictions	2,299,174	71,877	-	2,371,051	70,400	1,117,834	103,325	-	1,141,016	(175,202)	4,628,424
Total net assets (deficit)	27,012,041	38,286	-	27,050,327	(45,141)	2,317,752	(632,716)	(325,533)	4,397,445	(175,202)	32,586,932
Total liabilities and net assets (deficit)	\$ 179,513,423	\$ 27,894,526	\$ (472,000)	\$ 206,935,949	\$ 409,542	\$ 5,317,216	\$ 1,108,789	\$ 2,343,251	\$ 4,722,045	\$ (4,379,054)	\$ 216,457,738

Landis Communities and Affiliates

Consolidating Schedule, Operations and Changes in Net Assets (Deficit)

Year Ended June 30, 2023

	Landis Homes Retirement Community	Landis Place on King	Eliminations	Obligated Group	Landis HCBS	Landis Communities	Landis Quality Living	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2023
Revenues Without Donor Restrictions											
Resident service revenues:											
Nursing	\$ 16,901,216	\$ -	\$ -	\$ 16,901,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,901,216
Personal care	9,813,681	-	-	9,813,681	-	-	-	-	997,470	-	10,811,151
Residential living:											
Monthly fees	10,652,735	-	-	10,652,735	-	-	-	-	-	-	10,652,735
Amortization of entrance fees	6,675,050	-	-	6,675,050	-	-	-	-	-	-	6,675,050
Ancillary service revenues	885,343	-	-	885,343	-	-	-	-	-	-	885,343
Other resident service revenues	783,221	70,079	-	853,300	1,845,237	-	-	700,400	480	(14,786)	3,384,631
Net resident service revenues	45,711,246	70,079	-	45,781,325	1,845,237	-	-	700,400	997,950	(14,786)	49,310,126
Other revenues	3,241,217	3,812	-	3,245,029	201,998	5,613,586	88,311	2,640	139,642	(7,882,129)	1,409,077
Donor-restricted contributions used primarily for benevolent care	482,450	-	-	482,450	76,457	43,789	-	-	114,270	-	716,966
Total revenues without donor restrictions	49,434,913	73,891	-	49,508,804	2,123,692	5,657,375	88,311	703,040	1,251,862	(7,896,915)	51,436,169
Expenses											
Resident services	16,850,070	-	-	16,850,070	2,042,501	-	-	-	535,830	(2,081,590)	17,346,811
General and administrative	7,484,686	258,358	-	7,743,044	81,492	6,218,784	271,271	593,580	286,209	(5,815,325)	9,379,055
Depreciation	7,363,622	61,425	-	7,425,047	3,910	42,289	-	19,780	161,594	-	7,652,620
Plant operations	5,210,132	6,816	-	5,216,948	-	-	-	-	184,582	-	5,401,530
Dining services	5,695,239	-	-	5,695,239	-	-	-	-	312,441	-	6,007,680
Housekeeping, laundry and campus services	2,490,710	-	-	2,490,710	-	-	-	-	117,150	-	2,607,860
Admissions, social services, pastoral services and life enrichment	2,035,504	-	-	2,035,504	-	-	-	-	5,898	-	2,041,402
Interest	4,104,349	76,211	-	4,180,560	-	-	-	21,698	-	(21,698)	4,180,560
Total expenses	51,234,312	402,810	-	51,637,122	2,127,903	6,261,073	271,271	635,058	1,603,704	(7,918,613)	54,617,518
Operating (loss) income	(1,799,399)	(328,919)	-	(2,128,318)	(4,211)	(603,698)	(182,960)	67,982	(351,842)	21,698	(3,181,349)

Landis Communities and Affiliates

Consolidating Schedule, Operations and Changes in Net Assets (Deficit)

Year Ended June 30, 2023

	Landis Homes Retirement Community	Landis Place on King	Eliminations	Obligated Group	Landis HCBS	Landis Communities	Landis Quality Living	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2023
Other Income (Loss)											
Interest and dividend income, net	\$ 1,253,109	\$ -	\$ -	\$ 1,253,109	\$ -	\$ 26,293	\$ -	\$ -	\$ 20,185	\$ (21,698)	\$ 1,277,889
Net realized gain (loss) on sales of investments	2,259,627	-	-	2,259,627	-	-	-	-	(1,671)	-	2,257,956
Change in net unrealized gains and losses on investments	1,016,996	-	-	1,016,996	-	-	-	-	540	-	1,017,536
Contributions and bequests	214,327	-	-	214,327	14,400	99,578	-	-	230,740	-	559,045
Gain (loss) on disposal or abandonment of property and equipment	2,890	-	-	2,890	-	(17,046)	(249,897)	-	(73,093)	-	(337,146)
Total other income (loss), net	4,746,949	-	-	4,746,949	14,400	108,825	(249,897)	-	176,701	(21,698)	4,775,280
Revenues in excess of (less than) expenses	2,947,550	(328,919)	-	2,618,631	10,189	(494,873)	(432,857)	67,982	(175,141)	-	1,593,931
Donor-Restricted Contributions Used for Purchase of Property and Equipment	7,000	491,285	-	498,285	-	-	-	-	-	-	498,285
Transfer (to) From Affiliate	(858,000)	1,000	-	(857,000)	-	857,000	-	-	-	-	-
Change in net assets (deficit) without donor restrictions	2,096,550	163,366	-	2,259,916	10,189	362,127	(432,857)	67,982	(175,141)	-	2,092,216
Net Assets With Donor Restrictions											
Contributions	500,519	158,626	-	659,145	57,816	177,604	-	-	962,844	(158,626)	1,698,783
Interest and dividend income	34,528	-	-	34,528	-	-	-	-	-	-	34,528
Net realized gain on sales of investments	109,874	-	-	109,874	-	-	-	-	-	-	109,874
Change in net unrealized gains and losses on investments	75,998	-	-	75,998	-	-	-	-	-	-	75,998
Change in value, split-interest agreements	(32,515)	-	-	(32,515)	-	(384)	-	-	-	-	(32,899)
Transfers	-	-	-	-	-	(491,285)	-	-	-	491,285	-
Donor-restricted contributions used for:											
Resident assistance program	(460,627)	-	-	(460,627)	(9,443)	-	-	-	(81,112)	-	(551,182)
Adult day care program	-	-	-	-	(59,685)	-	-	-	-	-	(59,685)
Other	(21,823)	-	-	(21,823)	(7,329)	(43,789)	-	-	(33,158)	-	(106,099)
Purchase of property and equipment	(7,000)	(491,285)	-	(498,285)	-	-	-	-	-	-	(498,285)
Change in net assets with donor restrictions	198,954	(332,659)	-	(133,705)	(18,641)	(357,854)	-	-	848,574	332,659	671,033
Change in net assets (deficit)	2,295,504	(169,293)	-	2,126,211	(8,452)	4,273	(432,857)	67,982	673,433	332,659	2,763,249
Net Assets (Deficit), Beginning	24,716,537	207,579	-	24,924,116	(36,689)	2,313,479	(199,859)	(393,515)	3,724,012	(507,861)	29,823,683
Net Assets (Deficit), Ending	\$ 27,012,041	\$ 38,286	\$ -	\$ 27,050,327	\$ (45,141)	\$ 2,317,752	\$ (632,716)	\$ (325,533)	\$ 4,397,445	\$ (175,202)	\$ 32,586,932

Landis Communities and Affiliates

Consolidating Schedule, Cash Flows

Year Ended June 30, 2023

	Landis Homes Retirement Community	Landis Place on King	Eliminations	Obligated Group	Landis HCBS	Landis Communities	Landis Quality Living	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2023
Cash Flows From Operating Activities											
Change in net assets (deficit)	\$ 2,295,504	\$ (169,293)	\$ -	\$ 2,126,211	\$ (8,452)	\$ 4,273	\$ (432,857)	\$ 67,982	\$ 673,433	\$ 332,659	\$ 2,763,249
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:											
Depreciation	7,363,622	61,425	-	7,425,047	3,910	42,289	-	19,780	161,594	-	7,652,620
Amortization of deferred financing costs	61,584	23,194	-	84,778	-	-	-	-	-	-	84,778
Amortization of bond premium	(163,504)	-	-	(163,504)	-	-	-	-	-	-	(163,504)
Change in operating lease right-of-use assets and obligations	-	-	-	-	-	-	-	456,758	-	-	456,758
Payments on operating lease obligations	-	-	-	-	-	-	-	(463,217)	-	-	(463,217)
Net realized and unrealized gains and losses on investments and assets whose use is limited	(3,462,495)	-	-	(3,462,495)	-	-	-	-	1,131	-	(3,461,364)
Loss on disposal or abandonment of property and equipment	(2,890)	-	-	(2,890)	-	17,046	249,897	-	73,093	-	337,146
Proceeds from entrance fees and deposits, existing units	6,575,200	-	-	6,575,200	-	-	-	-	-	-	6,575,200
Amortization of entrance fees	(6,675,050)	-	-	(6,675,050)	-	-	-	-	-	-	(6,675,050)
Contributions restricted for long-term purposes	(41,724)	-	-	(41,724)	-	-	-	-	-	-	(41,724)
Contributions, pledges receivable	-	-	-	-	-	(18,757)	-	-	(111,000)	-	(129,757)
Change in value, pledges receivable	-	-	-	-	-	(2,534)	-	-	3,107	-	573
Change in split-interest agreements	34,670	-	-	34,670	-	384	-	-	-	-	35,054
Change in assets and liabilities:											
Accounts receivable	(157,595)	(8,986)	-	(166,581)	(49,741)	(47)	(145,074)	(704)	18,620	-	(343,527)
Due from/to affiliates	838,738	660,104	-	1,498,842	99,804	(2,093,636)	479,628	(47,150)	48,516	13,996	-
Prepaid expenses and other current assets	1,478,918	(256)	-	1,478,662	-	294,230	-	(742)	36,951	-	1,809,101
Accounts payable, trade	(184,265)	(3,948)	-	(188,213)	(6,006)	767,729	-	(5,849)	(15,904)	-	551,757
Accrued expenses and other liabilities	2,724	59,140	-	61,864	13,961	(9,905)	-	3,993	(8,891)	(13,996)	47,026
Refundable advance, Employee Retention Credit	6,373,251	-	-	6,373,251	-	803,615	-	-	217,314	-	7,394,180
Net cash provided by (used in) operating activities	14,336,688	621,380	-	14,958,068	53,476	(195,313)	151,594	30,851	1,097,964	332,659	16,429,299
Cash Flows From Investing Activities											
Net purchases of investments and assets whose use is limited	(2,145,496)	-	-	(2,145,496)	-	(2,791)	-	-	(2,682)	-	(2,150,969)
Change in value of investment in limited partnerships	-	332,659	-	332,659	-	-	(151,666)	-	8	(332,659)	(151,658)
Purchase of property and equipment	(6,635,378)	(16,221,472)	-	(22,856,850)	-	478,034	-	(21,937)	(221,842)	-	(22,622,595)
Net cash (used in) provided by investing activities	(8,780,874)	(15,888,813)	-	(24,669,687)	-	475,243	(151,666)	(21,937)	(224,516)	(332,659)	(24,925,222)
Cash Flows From Financing Activities											
Repayment of long-term debt	(1,045,000)	-	-	(1,045,000)	-	-	-	-	-	-	(1,045,000)
Proceeds from long-term debt	-	15,770,169	-	15,770,169	-	-	-	-	-	-	15,770,169
Payment of financing costs	-	(65,000)	-	(65,000)	-	-	-	-	-	-	(65,000)
Proceeds from entrance fees and deposits, new units	30,268	56,549	-	86,817	-	-	-	2,444	-	-	89,261
Refunds of entrance fees	(1,150,615)	-	-	(1,150,615)	-	-	-	-	-	-	(1,150,615)
Collections, pledges receivable	-	-	-	-	-	54,065	-	-	14,088	-	68,153
Contributions restricted for long-term purposes	41,724	-	-	41,724	-	-	-	-	-	-	41,724
Net cash (used in) provided by financing activities	(2,123,623)	15,761,718	-	13,638,095	-	54,065	-	2,444	14,088	-	13,708,692
Net change in cash, cash equivalents and restricted cash and cash equivalents	3,432,191	494,285	-	3,926,476	53,476	333,995	(72)	11,358	887,536	-	5,212,769
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	16,910,026	205,245	-	17,115,271	111,195	1,161,067	524	66,064	545,678	-	18,999,799
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	\$ 20,342,217	\$ 699,530	\$ -	\$ 21,041,747	\$ 164,671	\$ 1,495,062	\$ 452	\$ 77,422	\$ 1,433,214	\$ -	\$ 24,212,568

Landis Communities and Affiliates

Consolidating Schedule, Cash Flows

Year Ended June 30, 2023

	Landis Homes Retirement Community	Landis Place on King	Eliminations	Obligated Group	Landis HCBS	Landis Communities	Landis Quality Living	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2023
Supplemental Disclosure of Cash Flow Information											
Interest paid, net of amounts capitalized	\$ 4,226,124	\$ 6,458	\$ -	\$ 4,232,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,232,582
Noncash Investing and Financing Activities											
Accounts payable, capital related	\$ 4,708	\$ 1,317,362	\$ -	\$ 1,322,070	\$ -	\$ 812,231	\$ -	\$ -	\$ -	\$ -	\$ 2,134,301
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents											
Cash and cash equivalents	\$ 9,344,033	\$ 607,369	\$ -	\$ 9,951,402	\$ 164,671	\$ 641,910	\$ 452	\$ 24,514	\$ 522,007	\$ -	\$ 11,304,956
Cash and cash equivalents included in assets whose use is limited and investments	10,998,184	92,161	-	11,090,345	-	853,152	-	52,908	911,207	-	12,907,612
Total cash, cash equivalents and restricted cash and cash equivalents	\$ 20,342,217	\$ 699,530	\$ -	\$ 21,041,747	\$ 164,671	\$ 1,495,062	\$ 452	\$ 77,422	\$ 1,433,214	\$ -	\$ 24,212,568

Attachment III

Resident Contract

(If Not Previously Provided)