VIRGINIA LUTHERAN HOMES, INC.

d/b/a BRANDON OAKS

A Continuing Care Retirement Community

Roanoke, Virginia

April 30, 2024

DISCLOSURE STATEMENT

The filing of the disclosure statement with the State Corporation Commission does not constitute approval, recommendation or Endorsement of the community by the State Corporation Commission

VIRGINIA LUTHERAN HOMES, INC.
DISCLOSURE STATEMENT
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INTRODUCTION

Brandon Oaks is a Type A Continuing Care Retirement Community (CCRC) serving seniors primarily in the greater Roanoke Valley of Southwest Virginia. Continuing care offers seniors use of a living unit, for as long as they are able to live independently, and care in the on-site Assisted Living, Memory Care, and a Nursing and Rehabilitation Center (whether or not onsite) as needed, in accordance with the terms of the Residency Agreement.

This Disclosure Statement is filed in accordance with the laws of the Commonwealth of Virginia that require life care types of CCRC's to submit such documentation. This type of CCRC offers an All Inclusive Plan of services that meets the standards set forth by Leading Age.

At the time of this submission, the Disclosure Statement was prepared on the basis of available information and assumptions which were believed to be realistic. Such information and assumptions are subject to change and, therefore, the Disclosure Statement may need to be amended from time to time in the future.

I. CONTINUING CARE PROVIDER

Virginia Lutheran Homes, Inc. (the "Corporation") ("VLH"), is a non-stock, tax-exempt Corporation. The Corporation was chartered May 8, 1967, and was created by the Virginia Synod, Evangelical Lutheran Church in America as a non-stock, Virginia tax-exempt corporation to develop, own, and manage long-term care facilities for the elderly.

As a continuing care provider, the purposes of the corporation are (1) to provide seniors with housing facilities and services especially designed to meet their physical, social, and psychological needs, and to promote their health, security, happiness, and usefulness in longer living; and (2) to operate exclusively for tax-exempt purposes. As of December 31, 2023 VLH, also managed the operation of two affiliated entities: Luther Crest, a 40-unit apartment complex for low income elderly persons in New Market, Virginia, which opened in May of 1988, and Brandon Oaks at Home, a Medicare certified Home Health Care Agency licensed November 7, 2016. The Corporation has received recognition as a tax-exempt organization exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code.

The community (Brandon Oaks) opened on February 22, 1993. Under the life care concept, it is the aim of the Corporation to ensure that residents of this independent living facility receive those services for which the facility is licensed to provide as they pertain to the available levels of care (independent living, assisted living, memory care, and skilled nursing). Care needs that exceed those available levels of care are not covered by the life care agreement.

Brandon Oaks is a Continuing Care Retirement Community that, as of December 31, 2023, consisted of the 62-bed Brandon Oaks Nursing and Rehab Center, 129 Independent Living apartments, 3 Cottages, 12 Village Homes, 24 Independent Living apartments (The Dogwood Apartments), 24 Independent Living apartments (12 Pine Crest and 12 Pine Ridge), 40 Assisted Living apartments, and 26 Memory Care units to provide a continuum of care for its residents.

Although its sponsorship is Lutheran, the Corporation admits residents to Brandon Oaks regardless of religion.

The business address of the Corporation is:

Virginia Lutheran Homes, Inc.
3807 Brandon Avenue, SW, Suite 2440
Roanoke, VA 24018
(540) 562-5443; Fax: (540) 562-5465

The registered agent for the Corporation is:

Compton Biddle, Esq.
OPN Law
3140 Chaparral Dr.
P.O. Box 20487
Roanoke, VA 24018
(540) 725-8180

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

The governance of the Corporation is vested in a Board of Trustees ("the Board"), composed of a maximum of 18 members. The Bishop of the Virginia Synod serves as ex- officio. Trustees are elected by the Synod Council of the Virginia Synod (Synod) and serve staggered terms of (3) three years. Trustees may serve for a maximum of (3) three consecutive terms of (3) three years. An Elected Trustee may, at the discretion of the Synod, be nominated for election to a fourth consecutive term if, at the time the third consecutive term expires, such Elected Trustee holds or will hold a leadership position on the Board as an officer or chair of a committee. The Board elects officers on an annual basis. There are no employees who also serve on the Board. (the President & CEO is "ex-officio") Current members of the Board and the officers of the Corporation with their principal business affiliations are as follows:

Board Member	Principal Business Affiliation & Address
K. David Skole, Secretary	Pastor Christ Lutheran Church 2011 Brandon Avenue, SW Roanoke, VA 24015
Phillip Harris – Vice Chair	Attorney 5631 Warwood Drive Roanoke, VA 24018

Rev. James Armentrout	Pastor St. Mark's Lutheran Church 1008 Franklin Rd. Roanoke, VA 24016
Dr. Marie L. Malinchak - Chairperson	Physician 4071 Snowgoose Circle Roanoke, VA 24018
Dr. R. Allen Blackwood, Jr.	Physician 511 Waterford Dr. Roanoke, VA 24014
Barbara L. Phelps	Senior VP, Human Resources 360 Murray Knob Rd. Boones Mill, VA 24065
John Hanna -Treasurer	Banking Manager 2958 Hemlock Lane SW Roanoke, VA 24014
Mike Bird	Retired – Chief Financial Officer 172 Knotty Pine Way Murrells Inlet, SC 29576
Jamie Dillard	IT Professional 75 Estates Circle Troutville, VA 24175
Laura Swanson	Pastor St. Phillip's Lutheran Church 1310 Brighton Rd. SW Roanoke, VA 24015
Rev. Robert Humphrey – Voting Ex-Officio	Bishop Virginia Synod ELCA P.O. Box 70 Salem, VA 24153
Charles Downs – Non-Voting Ex-Officio	President and CEO Virginia Lutheran Homes, Inc. 3807 Brandon Avenue, SW, Suite 2440 Roanoke, VA 24018

No member of the VLH Board of Trustees has a ten (10) percent or greater equity or beneficial interest in Virginia Lutheran Homes, Inc.

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

a. SPECIFIC BUSINESS EXPERIENCE IN THE OPERATION OR MANAGEMENT OF SIMILAR FACILITIES

The Corporation and the individuals named in the previous sections have experience in the operation or management of continuing care and other retirement communities as discussed below.

Virginia Lutheran Homes, Inc. owns and manages Brandon Oaks. VLH has managed Brandon Oaks since its inception. Ownership of Brandon Oaks by VLH occurred in February 1997 with the merger of Roanoke Lutheran Retirement Community, Inc. and Virginia Lutheran Homes, Inc.

VLH as of December 31, 2023 also managed one affiliated congregate living housing community for seniors. Luther Crest, in New Market, has been managed by VLH since May 1987. VLH also manages Brandon Oaks at Home, a Medicare certified home care agency opened in 2016.

Mr. Charles L. Downs, Jr. Esq. joined Virginia Lutheran Homes as Corporate Counsel in February 2020. Mr. Downs title changed in 2021 to Executive Vice-President. In August 2022 he was named President & CEO of Virginia Lutheran Homes. Prior to becoming CEO, Mr. Downs was responsible for all legal, corporate compliance, risk management matters and assisted in strategic planning with the executive team. Prior to joining Virginia Lutheran Homes, Mr. Downs worked as an attorney focusing on Health Law. He was admitted to the Virginia State Bar in 1999. Mr. Downs over his career represented a wide variety of health care providers including physicians, hospitals, nursing homes, assisted living facilities, and other health systems in a wide range of legal matters to include regulatory compliance, litigation and contract negotiations.

Mrs. Jennifer Hicklin joined Virginia Lutheran Homes in December 2014 as the Controller and in August 2022 was promoted to Chief Financial Officer. Prior to joining VLH, Jennifer worked in public accounting for 12 years and was part of the VLH audit team. She has 10 plus years of experience and insights into Virginia Lutheran Homes and the Continuing Care Retirement Community.

Mr. Benjamin D. Burks, Ph.D. joined VLH as Executive Director of Brandon Oaks Retirement Community in 2017, Prior to joining Virginia Lutheran Homes Mr. Burks had been the Executive Director of The Glebe, a CCRC in Daleville, Virginia since September 2013, where he increased occupancy from 75% to 95% and received a 5-star CMS rating for the Skilled Nursing Facility. In October 2022 Ben was named Chief Operating Officer for Virginia Lutheran Homes, Inc. Mr. Burks has 14 plus years of experience and supervision of CCRC operations at all levels. Prior to his position at The Glebe Mr. Burks was Director of Life Enrichment from 2003 – 2006 at Virginia Mennonite Retirement Community in Harrisonburg, VA when he was promoted to Vice President of Life Enrichment and remained in that position until his move to The Glebe. Mr. Burks is a Licensed Nursing Home Administrator, and an Ordained Minister.

There is a wealth of experience in business and community affairs among the members of the VLH Board of Trustees.

b. ACQUISITION OF GOODS AND SERVICES

No officer, trustee, or key employee of VLH, nor VLH itself, has a ten percent or greater interest directly or indirectly in any entity which it is presently intended, will or may provide goods, leases or services to the provider of a value of $500 or more, within one year. All Trustees and key employees are required to complete a conflict of interest form annually.

c. CRIMINAL, CIVIL, AND REGULATORY PROCEEDINGS

No officers, trustees, key management employees of VLH, nor VLH itself, have ever been convicted of a felony or pleaded nolo contendere to a felony charge, nor have been held liable or enjoined in a civil action which involved fraud, embezzlement, fraudulent conversion or misappropriation of property.

No officers, trustees, key management employees, nor VLH itself, have ever been convicted of an injunctive or restrictive order of a court of record, nor within the past five years have had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including without limitation actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under this chapter or similar laws in another state.

No officers, trustees, key management employees, nor VLH itself, are currently subject to any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion or misappropriation of property.

IV. OWNERSHIP OF PROPERTY ON WHICH THE FACILITY IS OPERATED

The real property upon which the facility is constructed is described in Section V that follows. The real property and buildings are owned by Virginia Lutheran Homes, Inc.

As security for payment of the Economic Development Authority of the City of Roanoke, Virginia, Residential Care Facility Mortgage Revenue Bonds (Virginia Lutheran Homes) Series 2019, 2020, and 2021 VLH mortgaged its property and granted to the Trustee a security interest in the real property, fixtures, furniture, equipment, and pledged assets of Brandon Oaks.

V. LOCATION AND DESCRIPTION OF REAL PROPERTY

The main campus consists of approximately 18.6 acres of land on Brandon Avenue in the southwest quadrant of the City of Roanoke. The site is zoned for commercial/multi-family uses. Shopping centers, professional offices, places of worship and other amenities are located nearby.

The facility includes 192 independent living units and (177 apartments, 3 cottages and 12 Village Homes), a 40 apartment Assisted Living Unit, a Community Center, and 12 Village Homes located on a 3.5-acre adjacent parcel of property. Directly across the street from Brandon Oaks on approximately 3 acres, reside the 62-bed Nursing and Rehabilitation Center, and 26 Memory Care units.

As of 12/31/23 the following chart lists the number of independent living residences by unit type and square footage.

Unit Type	Unit Name	Number	Square Feet
Studio, small	Studio A	8	480
Studio, large	Studio B	1	545
1 Bedroom	1 Bedroom A	22	695
1 Bedroom, corner	1 Bedroom B	23	725
1 Bedroom/den	1 Bedroom/Den	17	735
2 Bedroom, 2 bath	2 Bedroom	33	1015
Deluxe	Deluxe A	1	1185
Deluxe	Deluxe B	6	1265
Deluxe	Deluxe D	2	1356
Combo	2 Bedroom A	4	1350
Combo	2 Bedroom B	2	1510
Combo	2 Bedroom D	10	1533
2 Bedroom Cottage	Cottage	1	1260
2 Bedroom Cottage	Cottage – Large	2	2395
2 Bedroom	Village Home A	2	1705
2 Bedroom	Village Home B	10	2020
1 Bedroom, 1.5 bath	Dogwood A	3	1035
2 Bedroom, 2 bath	Dogwood B	6	1285
2 Bedroom, 2 bath	Dogwood B 1	6	1355
2 BR, 2 bath, den	Dogwood C	3	1480
2 BR, 2 bath, end unit	Dogwood C1	6	1585
2 Bedroom Pines	2 BR, 2 Bath small	4	1500
2 Bedroom Pines	2 BR, 2 Bath large	6	1550
2 Bedroom Pines	2 BR, 2 Bath, Den	14	1730
TOTAL		192	

VI. AFFILIATION WITH RELIGIOUS, CHARITABLE OR OTHER NON-PROFIT ORGANIZATION; TAX STATUS OF PROVIDER

a. The Corporation was organized in May 1967 under the laws of the Commonwealth of Virginia as a non-stock, tax-exempt Corporation, for the purposes stated in Section I above.

The Virginia Synod, Lutheran Church in America (predecessor to the Virginia Synod, Evangelical Lutheran Church in America) incorporated Virginia Lutheran Homes, Inc. in 1967 to carry out the mission of the church to the aging by establishing and operating homes for the elderly in the Commonwealth of Virginia, and for other charitable and religious purposes.

VLH is organized on a non-stock, tax-exempt basis, as a social ministry organization. The Synod Council elects its Board of Trustees. A majority of Board members must be confirmed members of congregations of the Virginia Synod, Evangelical Lutheran Church in America.

Neither the Virginia Synod nor the Evangelical Lutheran Church in America will be responsible for the financial and contractual obligations of the Corporation.

b. The Corporation is exempt from the payment of income taxes under Section 501 (c) (3) of the Internal Revenue Code.

VII. SERVICES PROVIDED UNDER CONTINUING CARE CONTRACTS

The services provided by the Corporation are set forth in the Residency Agreement (continuing care contract), hereinafter referred to as "Agreement," copies of which are attached to this disclosure statement as Appendix A and A-1.

To summarize, the following are the major services included in the basic continuing care Contracts:

Brandon Oaks provides for residency and healthcare services from an Independent Living level up to and including those services that can be provided in a Skilled Nursing Facility. Contractual services for nursing and rehab care will be upgraded in the Nursing and Rehab Center to include services provided under the Medicare program pending the resident's acceptance into the program. The related descriptions can be found in the Residency Agreement.

Service	Relevant Sections of Residency Agreement
Living Accommodations, in	
Independent Living Units	II A
Assisted Living Center, Memory Care	I E, VII
Nursing and Rehabilitation Center	I F, VI
Living Unit Furnishings	
Flooring, window treatments, kitchen appliances	II B
Common Area & Personal Service Facilities	
Dining room, library, chapel, lobbies, recreational, craft, and wellness facilities, washers, dryers, and storage facilities.	II C, II D
Utilities	
Water, heating, electricity, air conditioning, local telephone service and basic cable.	III A
Meals	
Equivalent of one meal per day in the dining room; tray service during short-term illnesses.	III B
Transportation	
Scheduled local transportation	III C

Service	Relevant Sections of Residence Agreement
Linen Service	
Weekly bed and bath linens	III D
Housekeeping	
Twice monthly housekeeping	III E
Maintenance & Repairs, Grounds Maintenance	III F, G, H
Safety Features & Services	
Emergency call system, smoke detectors, safety equipped bath, building and grounds security.	III I
Programs	
Planned activities	III J
Parking	III M
Medical Care	
Emergency service, response to emergency call system, Assisted living services in the Assisted Living Center, Memory Care, and nursing care in the Nursing and Rehabilitation Center. Healthcare services are unlimited within the scope of the facility.	I
Services Available at Extra Charge	
Beauty/barber shops, extra meals, guest meals, tray service certain ancillary services, additional laundry and housekeeping, unscheduled transportation and accommodations catering	III K, N
Services of the Medical Director	I D
Prescription and non-prescription drugs, medical supplies, therapy services	I I
Respite Care, subject to availability	I G
Care at non related health care facility	I H
Private room in Health Center when not medically necessary	VI D

VIII. FEES REQUIRED OF RESIDENTS

Residents are required to pay a lump sum Entrance Fee and a Monthly Service Fee (see Section VIII A and B of the Agreement). Ten percent (10%) of the Entrance Fee is due upon execution of the Reservation Agreement with the balance due no later than ninety (90) days after the 10% deposit has been paid or at the time of move-in, whichever comes first. The Monthly Service Fee is due and payable in advance on the first of each month during the term of the Agreement.

Upon transfer to Assisted Living, Memory Care, or to a Skilled Nursing bed, a Resident continues to pay the same Monthly Service Fee, plus the fee for two additional meals per day. There is no change in fees if, in the event of a Resident couple, one person is permanently transferred to Assisted Living, Memory Care, or to a Skilled Nursing bed with the exception of the charge for two additional meals per day. These provisions hold for all contracts.

Prior to a Resident's occupancy, the ten percent (10%) of the Entrance Fee paid upon execution of the Reservation Agreement is held in escrow by Atlantic Union Bank , the designated escrow agent, as required by Section 38.2-4904.1 of the Virginia Code. See Section VIII A of the Agreement. The Deposit and Escrow Agreement is attached as Appendix B. Each escrow deposit is maintained as a separate money market investment account earning interest at the escrow agent's prevailing interest rate. The escrow agent may deduct fees from the account associated with maintenance of the account. All escrowed funds, including interest, become the property of the Corporation upon the Resident's occupancy, and are credited toward the balance of the Entrance Fee due.

In the event the Agreement is terminated prior to occupancy because of health or death, the escrowed funds including interest shall be returned to the Resident pursuant to Section XV B of the Agreement and Paragraph (4) of the Deposit and Escrow Agreement. In the event the Agreement is terminated prior to occupancy for other reasons, the escrowed funds, with interest, will only be returned in accordance with the provisions of Section XV B of the Agreement.

<u>Schedule of Fees</u>

A schedule of the current fees is attached as Appendix C to this disclosure statement. The fees are based on the Budget assumptions described in Appendix G.

Entrance fees may not be adjusted after payment of the ten percent (10%) deposit and execution of the Agreement, unless the Resident changes Independent Living Units or adds a second Resident to the Agreement, as described in Section XVIII of the Residency Agreement. However, entrance fees are subject to increase at any time for units that are not subject to Agreements, or for units which are re-marketed after death or withdrawal of the initial Resident.

Monthly Service Fees may be adjusted upon a thirty (30) day written notice if the Corporation in its sole discretion deems it necessary to meet the financial obligations of the Corporation and to maintain the services as provided in the Residency Agreement. See Section IX of the Residency Agreement. Such adjustments will normally be made on an annual basis, Monthly Service Fee adjustments typically take place annually on January 1st of each year, and it is the intention of the Corporation to keep the Monthly Service Fees at the lowest possible rate consistent with prudent financial practice and with the maintenance of services as provided in the Agreement. (Please see Appendix I for a table showing the frequency and average dollar amount of each annual increase in periodic fees).

Monthly Service Fees may be adjusted at other times should a Resident change Independent Living Units (see Sections XVIII B and C of the Residency Agreement) or add a spouse or other second Resident to the Agreement (see Section XVIII D of the Residency Agreement), or in the event of a Resident couple upon the death of or permanent transfer of one member to the Nursing and Rehab Center, Memory Care or Assisted Living (see Sections VIII B and XVI B of the Residency Agreement).

Should the Agreement be terminated, or should a Resident permanently transfer to the Assisted Living, Memory Care, or to the Nursing and Rehab Center, or should a Resident die, the Monthly Service Fee will continue to be due and payable pursuant to Section XV D and E, and Section XVII. The Corporation will not terminate the Residency Agreement solely on the basis of the financial inability of a Resident to pay the total Monthly Service Fee, provided the resident has not willfully impaired their ability to pay the Monthly Service Fee, pursuant to Section XIX C of the Agreement.

Entrance Fee Refund

Once a Resident has taken occupancy, the Resident or the Resident's estate may be eligible for a partial reimbursement of the Entrance Fee, depending upon the selection of the Entry Fee Plan.

Under the 90% Refundable Plan , at any time after occupancy the Agreement is terminated, the Resident or Resident's estate will be entitled to reimbursement of up to 90% of the adjusted Entrance Fee, without interest. The refund is made only after the Independent Living Unit has been re-occupied by a new Resident and a new Entrance Fee has been paid, as specified in Section XV F3 of the Agreement. The refund is also subject to certain offsets and reductions as specified in Section XV G of the Agreement.

Under the 50% Refundable Plan if the Agreement is terminated within the first 25 months then the Resident or the Resident's estate will be reimbursed a portion of the Entrance Fee equal to the adjusted Entrance Fee less two percent (2%) for each month from the occupancy date to the date the Living Unit is available for re-occupancy. At any time the Agreement is terminated after 25 months, the Resident or Resident's estate will be entitled to reimbursement of up to 50%, without interest. The refund is made only after the Independent Living Unit has been re-occupied by a new Resident and a new Entrance Fee has been paid, as specified in Section XV F2 of the Agreement. The refund is also subject to certain offsets and reductions as specified in Section XV G of the Agreement.

Under the Traditional Plan, if the Agreement is terminated within the first 50 months of occupancy, the Resident or Resident's estate will be reimbursed a portion of the Entrance Fee equal to the adjusted Entrance Fee paid less two percent (2%) for each month from the occupancy date to the date the Living Unit is available for re-occupancy without interest, as specified in Section XV F1 of the Agreement. The refund is subject to certain offsets and deductions as specified in Section XV G of the Agreement.

Under the Limited Medical Assistance Option Plan, if the Agreement is terminated the Resident or Resident’s estate will be reimbursed a portion of the Entrance Fee equal to the Adjusted Entrance Fee (without interest) pursuant to the type of plan described in Section XV, F1,2,3. The refund is subject to certain offsets and deductions as specified in Section XV G of the Agreement.

Under any Plan, in the case of a Resident couple, upon the death of both Residents or termination of the Agreement, any refund will be calculated and paid as if the last occupant to terminate had been the sole occupant of the Living Unit during the term of the Agreement, pursuant to Section XVI A of the Agreement.

Additional Fees, Medical and Health Insurance Coverage

Residents are required to maintain Medicare Part A, B and D and one supplemental health insurance policy, or equivalent insurance coverage, acceptable to the Corporation. See Section IV of the Agreement.

The Resident is also responsible for certain health related charges, such as charges for medical treatment by the Medical Director or other physicians or health professionals, charges for medicines, supplies, and hospital charges. See Section I of the Agreement.

IX. RESERVE FUNDING

The reserve funding includes the Endowment Fund, established through contributions to the Corporation. The Corporation does not intend to terminate a Residency Agreement solely on the basis of the financial inability of Residents to pay the total Monthly Service Fee (See Section XIX of Agreement). The Corporation may in its sole discretion extend financial assistance to Residents in need in appropriate cases.

Investment decisions are made by the Finance and Investment Committee of the VLH Board of Trustees. The Investment policy approved by the Finance and Investment Committee in general has as its objective preservation of principal, with conservative growth of assets and moderate liquidity. The target allocation of equity instruments is 50% of the portfolio, with an allocation range permissible of 40% - 60%. The balance of the portfolio is in government and highly rated corporate bonds. Atlantic Union Bank Financial Advisors and Pinnacle Financial Partners have been employed to manage approximately 90% of the Corporation's investment portfolio. In 2019 Virginia Lutheran Homes opened an additional investment account with Middleburg Financial Trust and Asset Management (now named Atlantic Union Bank Financial Advisors) under the same investment policy guidelines. Mr. Michael Snow is the portfolio manager. Permanent financing of the facility is governed by the bond documents of the Economic Development Authority of the City of Roanoke, Virginia Residential Care Facility Mortgage Revenue Refunding Bonds (Virginia Lutheran Homes) Series 2020 and 2021. This bank financing was converted from taxable to tax-exempt in 2023 and 2022, respectively.

Additionally, each year the Corporation performs an audit of its actuarial liability with regard to any Future Service Obligations under the guidelines as promulgated by the American Institute of Certified Public Accountants (AICPA) Statement of Position 90-8. For the year ending 2023 no additional reserves were required to be funded as a result of a Future Service Obligation. A Future Service Obligation reserve has not been required to be established in previous years.

Entrance Fees

All Entrance Fees become the property of the Corporation upon the Resident's date of occupancy; these fees assist in establishing the reserve fund. The entrance and monthly fees shown in this disclosure statement have been calculated to take into account mortality and morbidity assumptions applicable to the estimated population of the facility.

The appropriate level of reserves established through financing and through Entrance Fees and Monthly Service Fees varies depending upon the characteristics of the actual resident population of the facility. The resident profile could possibly differ in age, sex and single and double occupancy from one reporting period to another. The health care utilization forecasts would in turn be affected by a different resident profile; changes in the rate of health care utilization could have a material impact on the appropriate level of reserves.

X. CERTIFIED FINANCIAL STATEMENTS

Certified financial statements for the Virginia Lutheran Homes, Inc. for 2023 and 2022 are attached as Appendix D. The operations of Brandon Oaks are included in these statements.

XI. PRO FORMA INCOME STATEMENT

A pro forma income statement for the 2024 fiscal year for the Brandon Oaks is attached as Appendix G.

XII. ADMISSION OF NEW RESIDENTS

Applicants for residency at Brandon Oaks must, at the time of their occupancy, be physically and mentally capable of independent living in the Independent Living Units; must demonstrate their ability to pay the Entrance Fee for the unit and plan selected, and have the financial resources to be able to pay the Monthly Service Fees, with reasonably anticipated increases over their life expectancy; and, after provision for payment of their obligations under the Agreement, have sufficient resources to meet ordinary and customary living expenses. Applicants generally are age 62 or older.

XIII. ACCESS TO FACILITY BY NON-RESIDENTS

The Brandon Oaks Nursing and Rehab Center, (formerly the Virginia Synod Lutheran Home at Roanoke), the 62 bed licensed Nursing and Rehabilitation facility, the 40 bed Assisted Living, and the 26 bed Memory Care unit serve the greater Roanoke Valley community. The income projections anticipate that a portion of the revenues of the facility will continue to be derived from per diem nursing care services to the general community. The Nursing and Rehab Center generally accepts patients who typically are age 62 and over based on need, and participates in the Medicaid and Medicare programs.

Although the accommodations in the Nursing and Rehabilitation Center, the Assisted Living unit, and Memory Care are available to the larger Roanoke community, Brandon Oaks residents have priority for admission to Assisted Living, Memory Care, and the Nursing and Rehab Center.

Brandon Oaks provides accommodation for short stays and meals to Residents' guests, on an individual charge basis. Certain planned events and activities are also open to the community at large.

XIV. 2019, 2020, & 2021 FINANCING

Brandon Oaks on November 5, 2019 closed on $28,450,916 of long-term tax-exempt bond financing through the Economic Development Authority of City of Roanoke, Virginia. Series 2019A bond par value of $16,950,916, and Series 2019B par value of $11,500,000. Concurrently Brandon Oaks entered into fifteen year (2019A) and an eighteen (2019B) Interest Rate Swap transaction with Atlantic Union Public Finance, Inc., fixing the effective interest rates at 2.421% (2019A), and 2.515% (2019B).

Series 2019A bond refinanced the Series 2006 and 2007 Economic Development Authority of the City of Roanoke, Virginia Residential Care Facility Mortgage Revenue Refunding Bonds (Virginia Lutheran Homes), and the balance of the Atlantic Union Bank loan to finance the construction of the Pine Ridge project. The refinanced Bonds carried interest rates of 5.00 – 5.43%, and the Pine Ridge loan was fixed at 4.2%.

Series 2019B bond will finance major renovations the Nursing and Rehabilitation Center.

On April 22, 2020, the Economic Development Authority of the City of Roanoke, Virginia (the "EDA") issued the $10,207,332.39 Taxable Residential Care Facility Revenue Refunding Bond (Virginia Lutheran Homes Brandon Oaks Project) Series 2020 (the "Series 2020 Taxable Bond") for the purpose of, among other things, to advance refund the entirety of the EDA outstanding Residential Care Facility Mortgage Revenue Bonds (Virginia Lutheran Homes Brandon Oaks Project), Series 2013. The Series 2020 Taxable Bond was converted to a tax-exempt bond on September 7, 2023 through the EDA with the issuance of Tax-Exempt Residential Care Facility Revenue Refunding Bond (Virginia Lutheran Homes Brandon Oaks Project) Series 2023 (the "Series 2023 Tax-Exempt Bond"). The Series 2023 Tax-Exempt Bond matures on December 1, 2044. Principal and interest are payable monthly and commenced October 1, 2023. The interest rate on the Series 2023 Tax-Exempt Bond is on the adjusted Secured Overnight Financing Rate (SOFR) which is equal to the sum obtained by adding (i) the product of (x) 79% and (y) Adjusted Daily Simple SOFR, plus (ii) 0.80% per annum. The organization entered into two interest rate swap agreements. The 2020 Taxable Bond swap agreement interest rate is 1.484%. The 2023 Tax-Exempt Bond swap agreement interest rate is 2.05%.

On May 7, 2021, the Economic Development Authority of the City of Roanoke, Virginia (the “EDA”) issued the $13,643,590 Taxable Residential Care Facility Revenue Refunding Bond (Virginia Lutheran Homes Brandon Oaks Project) Series 2021 (the “Series 2021 Taxable Bond”) for the purpose of, among other things, to advance refund the entirety of the EDA outstanding Residential Care Facility Mortgage Revenue Bonds (Virginia Lutheran Homes Brandon Oaks Project), Series 2012. The Series 2021 Taxable Bond was converted to a tax-exempt bond on September 8, 2022 through the EDA with the issuance of Tax-Exempt Residential Care Facility Revenue Refunding Bond (Virginia Lutheran Homes Brandon Oaks Project) Series 2022 (the “Series 2022 Tax-Exempt Bond”). The Series 2022 Tax-Exempt Bond matures on December 31, 2032. Principal and interest are payable monthly and commenced June 1, 2021. The interest rate on the Series 2021 Bond is variable based on prevailing market rates and is reset monthly on 1-Month LIBOR plus 1.35%. During 2023, the Bond was modified for the cessation of LIBOR and replaced by the SOFR. The organization entered into two interest rate swap agreements. The 2022 Tax-Exempt Bond swap agreement interest rate is 2.45%.

XV. PROCEDURE TO FILE A COMPLAINT

Policy guidelines of VLH provide procedures for filing a complaint or expressing a concern, as required by Virginia Code Section 38.2-4902.A16.

Resident concerns may be expressed as part of the Resident Council meeting that is held on a monthly basis. All Residents who have active Residency Agreements are eligible for membership in the Council, which has organizational by-laws and regular nomination and election of officers. Part of its mission and purpose is to provide open communication, and to present a forum where concerns may be expressed to the Council officers and the Management of the facility, represented by the Executive Director or his designee who attends each meeting. Such concerns are documented in the minutes prepared and distributed by the Council Secretary, along with a date when the concerns must be resolved by either the Council, through a motion made and passed by a majority of members, or by the Executive Director.

Resident complaints must be filed in writing to the Executive Director. Upon receiving a written Resident complaint, the Executive Director must summarize in writing to the Resident, within 30 days of receipt, what steps will be taken so that the complaint may be addressed and resolved. This period may be extended by mutual consent of the Resident and the Executive Director.

If the concerns are not resolved by the process above, any disputes or controversy related to the provision of services by VLH to the Resident under the terms of the Residency Agreement will be determined and settled by arbitration in accordance with the rules of the American Arbitration Association. Such determinations are referred to in greater detail in Section XXIV “Arbitration" of the Residency Agreement that is appended to this Disclosure Statement (Appendix A, and A-1).

APPENDIX A

LIFE CARE – RESIDENCY AGREEMENT

2024

LIFE CARE

SERVICES AND RESIDENCY AGREEMENT

Between

BRANDON OAKS

And

____

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Page

LIFE CARE SERVICES AND RESIDENCY AGREEMENT

THIS LIFE CARE SERVICES AND RESIDENCY AGREEMENT is made and entered into by and between VIRGINIA LUTHERAN HOMES, INC., a 501(c)(3) tax-exempt corporation, trading as BRANDON OAKS (hereinafter referred to as "Sponsor"), and ________________________________ __________ (hereinafter referred to as "resident" or "You") on ______________, 20__. If two of You sign this Agreement, the word "You" or "resident" shall apply to each of You individually and both of You together, as the context requires. Brandon Oaks is a Life Care retirement community for older adults consisting of independent apartments, community areas, and a continuum of health and wellness services including assisted living and skilled nursing care. Brandon Oaks is operated on a non-discriminatory basis and affords equal treatment and access to services to qualified persons regardless of race, color, religion, national origin ancestry, or disability.

By signing this Agreement, You represent that the information You included in Your Confidential Application, which is part of this Agreement, is true and complete, and You agree that the Sponsor has relied upon that information in making this Agreement. Any misrepresentation of information can be considered a breach of this Agreement.

DEFINITIONS:

A. INDEPENDENT LIVING UNIT, whenever it appears in this Agreement, refers to one of the various types of accommodations for independent living available at Brandon Oaks.

B. ASSISTED LIVING, whenever it appears in this Agreement, refers to that portion of Brandon Oaks that is licensed by the Commonwealth of Virginia as an "Adult Care Residence."

C. MEMORY CARE, whenever it appears in the Agreement, refers to that portion of Brandon Oaks Assisted Living that is designated as Memory Care.

D. BRANDON OAKS NURSING AND REHABILITATION CENTER ("BONRC"), whenever it appears in this Agreement, refers to that portion of care provided in a facility licensed by the Commonwealth of Virginia as a "Nursing Facility," Including that portion licensed by the Commonwealth of Virginia as "Assisted Living". The "Nursing Facility" includes short term rehabilitation and long and short term skilled nursing.

E. LIVING ACCOMMODATION, whenever it appears in this Agreement, refers to any independent living unit, accommodation in Assisted Living or accommodation in BONRC.

F. **IN CONSIDERATION** of the facilities and services to be provided by the Sponsor, and the fees and charges to be paid by You, IT IS HEREBY AGREED:

I. MEDICAL CARE

Brandon Oaks owns and operates facilities offering Assisted Living, and Skilled Nursing and Rehabilitative Care. All are licensed by the Commonwealth of Virginia. Brandon Oaks offers Life Care services to its qualified residents and recognizes that the needs of individual residents will vary. Accordingly, a comprehensive range of services is offered, including wellness clinic services, assisted living, memory care, and skilled and rehabilitative nursing care. The majority of these services are included upon payment of the Entrance Fee and Monthly Service Fees provided that the resident meets the terms of occupancy as stated in Paragraph VIII. As a Life Care resident, as described below, You will not be charged, except for extra meals, an additional fee for standard assisted living, memory care, or standard nursing services, unless You select the Limited Medical Assistance Option (see appendix I). However, at all times, all fees for other health-related services, including any additional assisted living, memory care, short term rehabilitation or nursing services beyond the standard assisted living, memory care, short term rehabilitation or nursing services, will be Your responsibility as described in Section I.I, below.

To the extent that Brandon Oaks is contractually or otherwise legally obligated to provide assisted living, memory care, or skilled nursing care, Brandon Oaks retains the right to either provide these services onsite or contract with another licensed provider for nursing and/or assisted living services.

Standard assisted living, standard memory care, and standard nursing services mean those services that are typically provided by Sponsor to the general assisted living, memory care, and nursing home resident population, and include the regularly scheduled services of nurses and certified nursing assistants and aides. If a Life Care resident requires assisted living, memory care, or nursing services beyond standard assisted living, memory care, or nursing services, either on a temporary or permanent basis, You will be charged an additional fee for such services. Standard assisted living, memory care, and nursing services do not include, without limitation, supervision to respond to or monitor behavior or a condition that constitutes a danger to the resident or others. Brandon Oaks does not provide acute care services. A Life Care resident will be responsible for all services that are billed through Medicare or Medicare supplement, including co-payments, associated with services provided in assisted living, long or short term skilled nursing, or short term rehabilitation stays.

A. Emergency response will be provided by Brandon Oaks personnel.

B. Response to the emergency call system will be provided 24 hours a day.

C. Sponsor shall designate a licensed physician as Medical Director, who will function in an advisory role as a consultant to the staff.

D. You, at Your own expense, may engage the services of the Medical Director if the Medical Director is willing and able to take additional patients. Sponsor will not be responsible for the charges for Your medical treatment by the Medical Director.

E. Accommodations in Assisted Living, and Memory Care will be provided when deemed appropriate by Brandon Oaks licensed health care staff. A resident under age 62 shall be entitled to use Assisted Living and Memory Care but shall be charged the per diem rate until the resident attains the age of 62.

F. When licensed nursing care is required, semiprivate accommodations will be provided in BONRC. A resident under the age 62 shall be entitled to use the BONRC services, but shall be charged the per diem rate until the resident attains the age of 62.

G. Respite care may be provided subject to availability, in Assisted Living.

H. In the event You are absent from Brandon Oaks, or choose to receive care at another non-affiliated health care facility, Sponsor is not responsible for health care charges incurred by You. You shall continue to pay the Monthly Service Fee until the Agreement is terminated pursuant to Section XV.E.

I. Except as otherwise expressly provided in this Agreement, You shall be solely responsible for all other costs, fees and services, including but not limited to the following: the costs of physician services other than the on-site physician services as described in this Section I; inpatient and outpatient hospital services; assisted living and nursing services beyond standard assisted living, memory care, and nursing services; private duty personnel; laboratory and diagnostic services not rendered in connection with this Section I; prescription and over-the-counter drugs; audiological tests and hearing aids; eyeglasses and refraction; dentistry, dentures, dental inlay and oral surgery; orthopedic appliances and other durable medical equipment; medical supplies; physical, occupational and speech therapies; podiatry; professional care for psychiatric disorders; treatment for alcohol or drug abuse and renal dialysis. A Life Care resident will be responsible for all services that are billed through Medicare or Medicare supplement, including co-payments, associated with services provided in assisted living, long or short term skilled nursing, or short term rehabilitation stays. The omission of a particular health care service from the foregoing list of specific exclusions does not indicate that the service will be covered.

II. FACILITIES PROVIDED BY THE SPONSOR

A. Living Accommodation

You shall have a personal, non-assignable right for as long as You live, subject to the terms of this Agreement; occupy a Living Accommodation in Brandon Oaks. The initial independent living unit in which You shall reside is described as follows: ____________________________.

B. Residence Furnishings

1. Main Building. Sponsor will provide each independent living unit in the main building with wall-to-wall carpeting and/or hardwood floors, except in the kitchen and bath; window treatments; a fully equipped electric kitchen including refrigerator, range with oven, ducted fan, microwave and garbage disposal; and an option of a washer and dryer, pantry or dishwasher.

2. Cottages. Sponsor will provide each cottage unit with wall to wall carpeting and/or hardwood floors, except in the kitchen and bath; window treatments; and a fully equipped electric kitchen including refrigerator, range with oven, ducted fan, microwave, dishwasher and garbage disposal. In addition, each cottage residence is equipped with a washer and dryer.

3. Village Homes. Each village home unit contains a washer and dryer; window treatments; fully equipped electric kitchen including a refrigerator, stove, microwave oven, dishwasher and garbage disposal; and floor coverings that include tile, carpet and/or hardwood floors.

4. The Pines and Dogwood Apartments. The Pines and Dogwood Apartments are equipped with wall to wall carpeting and/or hardwood floors, except in the kitchen and bath; window treatments; fully equipped electric kitchen including refrigerator, range with oven, ducted fan, microwave, garbage disposal, and dishwasher; washer and dryer; and internet service. In addition, underground parking is provided at The Pines.

If You desire redecoration, addition of built-in appliances, or upgrading of any furnishings normally provided by Sponsor, such changes will require an addendum to this Agreement and will be at Your own expense. In addition, upon termination of occupancy, Sponsor may require, as provided in such addendum, that You must pay to restore Your independent living unit to its original condition. Any replacement, upgrading, or addition of appliances or furnishings by You shall become the property of Sponsor, unless otherwise agreed to by the Executive Director in writing.

C. Brandon Oaks Facilities

You may use, in common with other residents, dining venues, library, chapel, lobbies, recreational and wellness facilities (indoor and outdoor), craft facilities and other common areas provided for You.

D. Personal Service Facilities

1. Automatic washers and dryers will be available to You at no charge.

2. Limited storage facilities will be available only to residents of apartments, Use of storage facilities will be subject to direction and supervision of Sponsor, but You shall bear the risk of loss.

III. SERVICES PROVIDED BY SPONSOR

In consideration of the Monthly Service Fee referred to below, Sponsor shall provide You the following services:

A. Utilities

Sponsor shall provide all utilities including water, heating, electricity, natural gas, air conditioning, basic cable TV, and local telephone service*, subject to the availability of the services to the Sponsor. A variety of internet options is available from outside service providers for Your independent living unit as well as designated Wi-Fi areas within the community.

*Traditional land-line telephone service is mandatory to enable personal emergency response systems and/or life/fire/safety alarm functions

B. Dining Service

1. A Flexible Meal Program with a declining balance that equates to one meal per day.

2. Tray service will be provided to You in Your independent living unit during minor, short-term illness upon order of the Medical Director or the Director of Nursing.

3. Credit will be given for absences of more than seven (7) consecutive days for missed meals in accordance with Sponsor's then-current policy.

4. Private dining rooms are available for residents to reserve for special events. There is no charge for use of the private dining rooms.

C. Transportation

Sponsor shall provide reasonably scheduled local transportation.

D. Linen Service

Sponsor shall provide laundering of sheets and towels weekly in all independent living units.

E. Housekeeping

1. Sponsor shall provide twice monthly housekeeping. You agree to maintain Your residence in a safe, clean, sanitary and orderly condition and to perform all usual light housekeeping. In the event You fail to maintain Your independent living unit, Sponsor may perform, at Your expense, such special cleaning, fumigation, and other work necessary to return Your independent living unit to a safe, clean, sanitary, and orderly condition.

2. Sponsor shall perform other heavier housekeeping services on a scheduled basis, as deemed necessary by Sponsor.

F. Maintenance and Repair

Necessary repairs, maintenance and replacement of property and equipment owned by Sponsor will be performed and provided by Sponsor. Repairs, maintenance and replacement of Your property will be Your responsibility.

G. Janitorial Service

Janitorial services will be provided by Sponsor for the common areas of Brandon Oaks.

H. Grounds Maintenance

Sponsor will furnish basic grounds keeping care, including lawn service and snow removal.

I. Safety

1. Your independent living unit will be equipped with an emergency call system.

2. Your independent living unit will be equipped with a smoke detector.

3. Your independent living unit will be furnished with a safety-equipped bath.

4. Security supervision of buildings and grounds shall be provided by Sponsor.

J. Programs

Planned activities (social, cultural, wellness, spiritual, educational and recreational) will be provided for those who wish to participate. Certain programs and events may require an additional fee.

K. Beauty/Barber Shop/Nail Salon

A beauty/barber/nail salon will be provided for Your use. Services used may be paid for at the time service is rendered or may be billed monthly to Your account.

L. Medical and Nursing Care

Medical and nursing care will be provided as specified in Section I. A Life Care resident will be responsible for all services that are billed through Medicare or Medicare supplement, including co-payments, associated with services provided in assisted living, long or short term skilled nursing, or short term rehabilitation stays.

M. Parking

Parking for Your automobile(s) is available on a non-assigned basis, subject to the rules set forth in the Resident Handbook.

N. Supplemental Services

When available, the following extra services will be provided at an additional charge as set forth in the Fee Schedule provided to You upon admission. Sponsor may adjust these fees upon thirty (30) days written notice. Please see Your resident handbook for service and program details.

1. The dining venues will be available in combination for three (3) meals a day. Additional meals or groceries in excess of the quarterly dining allotment.

2. Guest meals and overnight accommodations, subject to availability, will be available.

3. Catering for Your private parties will be available at reasonable charges to be determined on an individual basis.

4. Certain ancillary services (such as medication, medical supplies, and physical, occupational and speech therapy) as deemed reasonable by Sponsor may be available at Brandon Oaks. Such services may be provided upon order by Your physician or the Medical Director, and at an additional cost to You. A Life Care resident will be responsible for all services that are billed through Medicare or Medicare supplement, including co-payments, associated with services provided in assisted living, long or short term skilled nursing, or short term rehabilitation stays.

5. Other optional services related or unrelated to care in BONRC or in Assisted Living may be available at an additional cost to You. The additional charge for these optional services will be billed to You.

6. Additional laundry and housekeeping.

7. Tray service other than for a short-term illness approved by the Medical Director or Director of Nursing.

8. Unscheduled transportation.

IV. MEDICARE AND HEALTH INSURANCE COVERAGE

You shall maintain Medicare Part A, B and D and one supplemental health insurance policy, or equivalent insurance coverage acceptable to Sponsor, to ensure Your ability to cover insurable health care costs, and shall furnish to Sponsor evidence of coverage upon occupancy and thereafter upon request. You shall cooperate with Brandon Oaks in connection with any required application, execution of all necessary forms and the processing and collection of health care payment or reimbursement claims to which Brandon Oaks may be entitled for care provided to You. Prior to changing Your health insurance coverage, You must notify Sponsor so that Sponsor can discuss with You how this may affect the services You receive at Brandon Oaks. A Life Care resident is responsible for all medical services, to include short term rehabilitation, that are billed through Medicare services, including co-payments. For example, a Life Care resident that requires a short-term rehabilitation stay at Brandon Oaks Nursing and Rehabilitation Center is responsible for any medical services provided during that stay that are Medicare covered services. This includes all co-payments that may be incurred.

V. LIEN FOR MEDICAL CARE

Sponsor shall not be responsible for providing any medical, nursing or additional care for You if You are injured as a result of the fault, negligence or carelessness of any third party or parties. You shall promptly notify Sponsor of any injury by a third party or parties.

In the event that Sponsor provides any care for such injuries, You shall assign to Sponsor any funds that may be recovered from the third party or parties to compensate You for injuries sustained, to the extent necessary to reimburse Sponsor for charges incurred in providing such care. Such obligation shall be enforceable by Sponsor against any property owned by You or Your estate. You or Your legal representative shall cooperate with Sponsor in collecting such funds and reimbursing Sponsor.

VI. TRANSFER FROM INDEPENDENT LIVING UNIT TO BONRC

A. If, in the opinion of Your Attending Physician or the Medical Director, Your physical or mental health requires licensed nursing care, You agree to relocate temporarily to BONRC where Sponsor is licensed to provide such care.

B. After consultation with You or Your agent, Sponsor may permanently transfer You to BONRC, upon a determination by Brandon Oaks' licensed health care staff and/or Your Attending Physician that such a transfer is necessary to meet Your health care needs.

   In the event of a permanent transfer to BONRC, Sponsor has the right to assign Your independent living unit for occupancy by others.

C. If Sponsor, in conjunction with Your Attending Physician and the Medical Director, subsequently determines that Your health care needs no longer require licensed nursing care, subject to availability, a comparable independent living unit shall be provided to You as soon as available.

D. BONRC accommodations shall be in a semiprivate room unless, in the opinion of Your physician, the Medical Director and the Executive Director or his designee, a private room is a medical necessity. In the event a private room is available and desired by You, but is not medically necessary, You may occupy the private room and You shall be charged the difference between the per diem rate for semiprivate and private accommodations.

E. You shall be given priority over non-residents for accommodations in BONRC. In the event that BONRC is fully occupied, after consultation with You or Your agent, You shall agree to relocate to another nursing care facility until such accommodation becomes available at BONRC. The accommodations will be in a semiprivate room unless, in the opinion of Your physician, the Medical Director and the Executive Director or his designee, a private room is a medical necessity.

   If care is provided in an alternate facility, You will continue to pay the Monthly Service Fee as if You were residing in BONRC. To the extent Sponsor would be liable for Your care and accommodations in BONRC under this Agreement, Sponsor will be responsible for the charges associated with the alternate nursing care accommodations.

VII. TRANSFER FROM INDEPENDENT LIVING UNIT TO ASSISTED LIVING, AND MEMORY CARE

A. If, in the opinion of Your Attending Physician or the Medical Director or the Executive Director, Your health care needs require Assisted Living services, or Memory Care You agree to relocate temporarily to Assisted Living where Sponsor is licensed to provide such care.

B. After consultation with You or Your agent, Sponsor may permanently transfer You to Assisted Living, or Memory Care upon a determination by Brandon Oaks licensed health care staff and/or Your Attending Physician that such a transfer is necessary to meet your health care needs.

   In the event of a permanent transfer to Assisted Living or Memory Care, Sponsor has the right to assign Your independent living unit for occupancy by others.

C. If Sponsor, in conjunction with Your Attending Physician and the Medical Director, subsequently determines that Your health care needs no longer require Assisted Living services or Memory Care, subject to availability, a comparable independent living unit shall be provided to You as soon as available.

D. If an Assisted Living or Memory Care apartment is available, You shall be given priority over non-residents for accommodations in Assisted Living and Memory Care. If Assisted Living or Memory Care is fully occupied, after consultation with You or Your Agent, You shall agree to relocate to another assisted living facility until such accommodation becomes available at Brandon Oaks.

   If care is provided in an alternate facility, You will continue to pay the Monthly Service Fee as if You were residing in Assisted Living or Memory Care. To the extent Sponsor would be liable for Your care and accommodations in Assisted Living under this Agreement, Sponsor will be responsible for the charges associated with the alternate assisted living or memory care accommodations.

. There are limitations to the type of nursing care that Brandon Oaks is able to provide. The following are examples of limitations but not limited to: If you have a dangerously contagious desease, an uncontrolled or untreated mental condition or specialized psychiatric condition, or any conditions requiring services which are prohibited under the licenses or the BONRC, Assisted Living, and Memory Care.

VIII. OCCUPANCY AND FEES

You agree to pay to Sponsor the fees on the following schedule:

A. An Entrance Fee in the total amount of **$__________**, which fee is a one-time fixed fee, which shall not be changed unless You change Your independent living unit as provided in Section XVIII of this Agreement.

   1. The amount of **$__________**, which is ten percent (10%) of the Entrance Fee, receipt of which is hereby acknowledged by Sponsor (as evidenced by the Reservation Agreement), shall be held in escrow by the escrow agent under the terms of its Escrow Agreement with Sponsor.

2. The Sponsor shall maintain in escrow with a bank or trust company or other escrow agent approved by the Insurance Bureau of the State Corporation Commission of the Commonwealth of Virginia, all ten percent (10%) deposits and other payments in respect to the Entrance Fee received from You prior to the occupancy date. Funds deposited therein shall be kept and maintained in an account separate and apart from the Sponsor's business accounts and shall remain Your property until released to the Sponsor, which release shall take place when the Sponsor presents to the escrow agent evidence that an independent living unit has been occupied by You, or an independent living unit of the type reserved is available for immediate occupancy by You.

3. The balance of the Entrance Fee shall be paid no later than ninety (90) days after the 10% deposit has been paid or at the time of move-in, whichever occurs first.

4. Any interest earned on the escrow portion of the Entrance Fee at the time of payment of the balance shall be credited toward the balance due.

B. A Monthly Service Fee appropriate to Your independent living unit and subject to change in accordance with the provisions of Section IX.

1. The initial Monthly Service Fee rate shall be in accordance with rates in effect on the occupancy date.

   a. A prorated portion of the Monthly Service Fee shall be due on the date on which you have paid the Entrance Fee, met all other requirements for occupancy, are entitled to occupy the independent living unit, and the independent living unit is available for occupancy. (the "date of closing")

   b. The Monthly Service Fee is due and payable on the first of each month during the term of this Agreement. You shall be invoiced monthly by Sponsor for any services and supplies provided to You not included in the Monthly Service Fee. Such invoices shall be paid within ten (10) days following receipt thereof. For Your convenience, an automatic draft payment option is available.

   c. Brandon Oaks reserves the right to charge interest at a rate of one and one-half percent (1 ½%) per month on any unpaid balance over 30 days past due. You agree to pay all costs of collection including court costs, attorney fees and other fee and expenses that the Sponsor may incur in collecting payment.

2. In the event one person is named as resident and is transferred to Assisted Living, Memory Care, or BONRC, he or she will continue to pay the single person Monthly Service Fee, applicable to the independent living unit from which he or she transferred (including future adjustments to that fee), plus the charge for two additional meals per day.

3. In the event two persons are named as resident and are transferred to Assisted Living, Memory Care or BONRC, either individually or jointly and regardless of the level of care; they continue to pay the double person Monthly Service Fee applicable to the independent living

unit from which one or both transferred (including future adjustments to that fee), plus the charge for two additional meals per day for each person transferred.

4. Each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the monthly service charge, optional service fees, and all other amounts required to be paid to the Sponsor pursuant to this Agreement. If it is necessary for the Sponsor to institute legal actions or other proceedings to recover amounts payable to it under this Agreement, then the Sponsor also will be entitled to recover legal fees and costs incurred in connection with all such proceedings. This provision will survive any termination of the Agreement.

IX. ADJUSTMENTS IN MONTHLY SERVICE FEES

A. Sponsor may change the amount of the Monthly Service Fee, other charges, or change the scope of the services or supplemental services upon thirty (30) days written notice if Sponsor, in its sole discretion, deems it necessary to meet the financial needs of operating Virginia Lutheran Homes, Inc. Monthly Service Fee adjustments traditionally take place annually on January 1st, but may be more frequent if warranted by financial conditions. Monthly Service Fee adjustments shall be in amounts necessary or appropriate, as determined by Brandon Oaks, to meet the costs of operating Brandon Oaks and providing services under this Agreement including, but not limited to, the establishment and maintenance of reasonable cash reserves.

   Sponsor may change the amount of the Monthly Service Fee without notice when required by changes in State or Federal Regulations.

   Sponsor may change the amount of charges in the BONRC upon sixty (60) days written notice.

B. Sponsor has a policy of maintaining reserve funds specifically dedicated to the support and financial security of Brandon Oaks as required by its financing Agreements and Virginia Law.

   Sponsor may utilize bequests or contributions, if any, and the income therefrom, for the benefit of Brandon Oaks in order to minimize the Monthly Service Fee, consistent with sound operation.

X. REQUIREMENTS FOR OCCUPANCY

As a condition for occupancy of an independent living unit, You must be age 62 or older, and meet all other Life Care qualifications and requirements of Sponsor. If one party of a couple is less than 62 years old, that party will not be eligible for a Life Care coverage until attaining the age of 62 and meeting all other Life Care qualifications and requirements. The spouse may reside at Brandon Oaks and receive meals, housing, care and services on a fee-for-service basis under Non-Life Care Services and Residency Agreement until such time as the spouse becomes eligible for a Life Care Services and Residency Agreement.

XI. REPRESENTATIONS

A. Except as waived by Sponsor after full disclosure, Sponsor requires that You, at the time of admission, do not have health care needs that Sponsor cannot meet in an independent living unit, be free of communicable disease, have assets and income which are sufficient under foreseeable circumstances and after provision for payment of Your obligations hereunder to meet ordinary and customary living expenses after assuming occupancy.

B. The Application that You filed with the Sponsor is incorporated by reference. You represent that there have been no material changes in the information provided in the Application.

C. You agree not to impair Your ability to meet financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses. You, from time to time, as reasonably requested by Sponsor, shall provide the Sponsor with personal financial data such as annual cash receipts and disbursements and a current list of assets and liabilities. You consent to allow Sponsor to verify accuracy of this information as deemed necessary by Sponsor.

XII. RULES AND REGULATIONS

You will abide by Sponsor's rules and regulations, including those set forth in the Resident Handbook, and the amendments, modifications and changes of these rules and regulations as may be adopted by Sponsor. Any rules and regulations adopted by Sponsor will be applied to all residents similarly situated without preference or prejudice to any resident or group of residents.

XIII. TERMS OF OCCUPANCY

A. Rights of Resident

1. This Agreement grants to You a non-assignable, revocable right to occupy a Living Accommodation at Brandon Oaks. You agree that this Agreement does not entitle You to any title or interest in any Brandon Oaks real or personal property, and that all of Your rights under this Agreement are and shall be subordinate and subject to any mortgages, indentures, deeds of trust or other instruments of debt security in favor of a Brandon Oaks lender or bond holder now or hereafter existing. You shall have no personal liability for such indebtedness.

2. Your right to occupy a Living Accommodation at Brandon Oaks shall exist and continue during Your lifetime, unless revoked as provided for in Section XV.

3. This Agreement is for services, is not a lease or an easement and does not transfer or grant to You any interest in real property owned by Sponsor.

B. Sponsor shall modify Your independent living unit to meet the requirements of any applicable statute, law or regulation. In addition, Sponsor may transfer You to a comparable, alternative

Living Accommodation when necessary for health or safety reasons, repairs or renovations to Living Accommodations or to other portions of the campus.

C. No person other than You may occupy Your independent living unit without the express written approval of the Executive Director. All guests must abide by the then current guest policies of Brandon Oaks. Overnight guests are permitted for limited stays in accordance with those policies.

D. Sponsor shall not be liable for, and You agree to indemnify, defend and hold Sponsor harmless from claims, damages or expenses, including attorney's fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Your negligence or intentional act or omission.

E. In the event You, Your pets, guests or agents cause damage beyond normal wear and tear to Your Living Accommodation or to the common facilities of Brandon Oaks (including, but not limited to, damage caused by motorized cart use), Sponsor shall have the right to make necessary repairs at Your sole expense. Sponsor shall bill You for the full cost of such repairs and You shall remit payment within thirty (30) days following receipt of invoice.

F. If not previously made, You agree to make provision by Will, or otherwise, within three (3) months after the date You assume occupancy in Brandon Oaks for disposition of Your property at Brandon Oaks and the appointment of an executor of Your estate. Funeral and burial arrangements shall be specified in writing at the time of occupancy.

G. Furnishings within Your independent living unit will not be provided by Sponsor except as stated in Section II.B. Furnishings provided by You may not interfere with the health, safety and general welfare of You or other residents.

H. Smoking is not permitted in any building at Brandon Oaks and is only permitted in designated outdoor smoking areas.

I. If you wish to hire private duty companions and similar personnel, such persons must be hired pursuant to the requirements found in our Policies and Procedures, and pursuant to Virginia Regulations 22 VAC 40-73-220. You are responsible for ensuring that any such private duty person follows Brandon Oaks Policies and Procedures at all times. We reserve the right to prohibit any person, including private duty personnel hired by You, from coming onto the Community's property when, in our discretion, it is reasonable to do so. Payment of any approved private duty personnel is Your responsibility. You may not employ current or former employees of Brandon Oaks as private duty personnel without the express written consent of the Executive Director.

XIV. TEMPORARY TRANSFER FROM BRANDON OAKS

If You suffer any disability for which Sponsor is not permitted to provide care within the requirements of law, or if Your presence is deemed detrimental to the health, safety or peace of the other residents, or if Sponsor determines such action is required in order to meet your health care needs, Sponsor has the authority to transfer You to another facility or institution, public or private, suitable for such cases. Such a transfer, if temporary, as determined by Sponsor in its sole good faith discretion, shall not be deemed to be a termination, either voluntary or involuntary, of this Agreement. You will be responsible for the cost of any care provided at the outside facility or institution.

XV. TERMINATION AND REFUND OF ENTRANCE FEE

This Agreement may be terminated and refund of the Entrance Fee will be made as follows:

A. Right of Rescission

The Agreement may be rescinded by You by giving written notice to Sponsor within seven (7) days from the date of its execution. All deposit monies will be refunded within thirty (30) days after notice of rescission has been received. You are not required to move into Brandon Oaks before the expiration of the seven-day grace period.

B. Termination Prior to Occupancy

After Your right of rescission has expired, and before You have assumed occupancy at Brandon Oaks, You may terminate this Agreement. In such event, the Sponsor shall refund the deposit, less costs incurred by Sponsor pursuant to Your written request, only after the earlier of (i) one-hundred twenty (120) days following termination of this Agreement, or (ii) after another Agreement has been executed for Your independent living unit, the full entrance fee has been paid by the new resident and the rescission period for the new resident has expired. If You die before You have assumed occupancy at Brandon Oaks, or if You are precluded through illness, injury or incapacity from becoming a resident under the terms of this Agreement, this Agreement shall be automatically rescinded and You shall receive a full refund of all money paid to Sponsor, except for those costs specifically incurred by Sponsor at Your request and set forth in a separate addendum signed by both You and Sponsor. This refund will be paid within thirty (30) days from the date that Sponsor receives notice of Your death or illness, injury or incapacity.

C. Termination after Occupancy Due to Death

This Agreement automatically will terminate upon Your death (or the death of both of You if two persons are named in this Agreement). A refund of the Entrance Fee may be made according to the terms of Section XV.F.

D. Termination after Occupancy for Reasons Other Than Death

Any time after You have assumed occupancy in Brandon Oaks; You may terminate this Agreement. You shall give Sponsor one hundred and twenty (120) days written notice and shall pay the Monthly Service Fee for that period or until a new resident begins paying the Monthly Service Fee, whichever is the shorter period.

Happiness Guarantee: You will have the right to terminate this Agreement within the first three months after the earlier of when you move in or when you paid the Entrance Fee Payment in-full, by giving written notice to the Sponsor and vacating the Premises during that three months. In such event, the Sponsor will refund the entire Entrance Fee (without interest) you have paid (minus the cost to restore the Living Accommodation to new condition and the cost for restoration for any damages you have made to the Living Accommodation) to you when the Sponsor is in receipt of the full Entrance Fee Payment from a substitute resident. This Happiness Guarantee shall not apply for reasons of death. This Happiness Guarantee shall not apply for a move to a licensed healthcare facility (defined as a move directly to a healthcare facility or if such a move is made within three months of the date you move out of Brandon Oaks). The resident's Monthly Service Fee will continue while the resident and/or the resident's personal possessions occupy the Living Accommodation.

E. Termination by Sponsor

1. Sponsor may, upon notice and reasonable opportunity given to You to remove the cause as hereinafter provided, terminate this Agreement for good cause. Good cause shall be limited to the following:

    a. Proof that You are a danger to Yourself or others.

    b. Nonpayment by You of the Monthly Service Fee, subject to the provisions of Section XIX.C.

    c. Repeated conduct by You that interferes with the other residents' quiet enjoyment of Brandon Oaks.

    d. Persistent refusal to comply with reasonable written rules and regulations of Brandon Oaks.

    e. Material misrepresentation made intentionally or recklessly by You in Your application for residency, or related materials, regarding information which if accurately provided, would have resulted in either a failure of You to qualify for residency or a material increase in the cost of providing to You the care and services provided under this Agreement.

    f. Material breach by You of the terms and conditions of this Agreement.

2. Prior to termination for any just cause as defined above, Sponsor shall give You notice in writing of the intent to terminate effective thirty (30) days thereafter and the reason. You shall have thirty (30) days from notice within which to remove the just cause to terminate this Agreement. Initiation of the process for termination under this provision shall not eliminate Your obligation to pay the Monthly Service Fee until the termination becomes effective.

   If You remove the cause for this action within the thirty (30) days, this Agreement shall not be terminated. If You fail to remove the cause within the thirty (30) days, this Agreement will terminate at that time unless Sponsor believes the cause could not have been removed reasonably within thirty (30) days and a brief extension to remove the cause is granted.

3. Upon the effective date of termination of this Agreement, You will vacate the Living Accommodation and will leave it in good condition, except for reasonable wear and tear.

4. You are responsible for Monthly Service Fees until the Living Accommodation is vacated. The Living Accommodation shall be deemed vacated when all of Your personal possessions and furnishings have been removed.

F. Reimbursement of Entrance Fee after Occupancy

Immediately upon occupancy and after expiration of the rescission period, an automatic four percent (4%) administrative charge shall be deducted from Your Entrance Fee. The remaining amount is Your "Adjusted Entrance Fee." Reimbursement of Your Adjusted Entrance Fee will depend on the type of Entrance Fee Plan You have initialized below, if You are eighty-five (85) years of age or older You are only eligible for the Traditional Entrance Plan:

1. Traditional Entrance Plan _________ (Initial)

   If at any time after occupancy You or Sponsor terminates this Agreement, or in the event of Your death, You (or Your estate) will be reimbursed a portion of the Adjusted Entrance Fee equal to the Adjusted Entrance Fee (without interest) paid less two percent (2%) for each month or fraction thereof, from the occupancy date to the date the Living Accommodation is vacated. The refund shall be paid within one hundred twenty (120) days from the date the accommodation is available for reoccupancy. After fifty (50) months, there shall be no refund of the Adjusted Entrance Fee.

2. 50% Refundable Entrance Plan ___________ (Initial)

   If at any time after occupancy You or Sponsor terminate this agreement, or in the event of Your death, You (or Your estate) will be reimbursed at least fifty percent (50%) of the Adjusted Entrance Fee paid by You without interest. The refundable amount will be equal to the Adjusted Entrance Fee, less two percent (2%) per month or fraction thereof for the first twenty-five months (25) after the occupancy date. After twenty-five (25) months, the Adjusted Entrance Fee refund will be fifty percent (50%). Such refund shall be made at such time as Sponsor receives the full Entrance Fee from a new resident for the independent living unit and the rescission period for the new resident has expired.

3. 90% Refundable Entrance Plan ______________ (Initial)

   If at any time after occupancy, You or Sponsor terminate this Agreement, or in the event of Your death You (or Your estate) will be reimbursed ninety percent (90%) of the Adjusted Entrance Fee paid by You, without interest. Such refund shall be made at such time as Sponsor receives the full Entrance Fee from a new resident for Your independent living unit and the rescission period for the new resident has expired.

4. Limited Medical Assistance Option ______________ (Initial)

   If at any time after occupancy You or Sponsor terminates this Agreement, or in the event of Your death, You (or Your estate) will be reimbursed a portion of the Adjusted Entrance Fee equal to the Adjusted Entrance Fee (without interest) pursuant to the type of Entrance Plan described in Section XV, subsection F, 1,2,3.

G. Sponsor shall have the right to deduct from the amount due You or Your estate the following:

1. Any non-reimbursed health care expenses incurred by Sponsor for Your care (except for the charges for services described in Section II of this Agreement) during the term of occupancy;

2. Any Monthly Service Fees or other sums You owe to Sponsor under this Agreement or incurred by Sponsor pursuant to Your written request;

3. Any Monthly Service Fees, or portion thereof, deferred by Sponsor on behalf of You under Section XIX.C.

4. Any charges for damages, beyond reasonable wear and tear, to the Living Accommodation by You, Your family, Your pet(s), guest(s) or Agent(s).

5. If Your independent living unit has been upgraded/modified as approved by Sponsor, upon Your move out, Sponsor may charge You for returning Your independent living unit to its prior condition.

XVI. MULTIPLE OCCUPANCY

In the event two of You have entered into in this Agreement:

A. Upon the death of both of You or termination of this Agreement, any refund will be calculated and paid as if the last occupant to terminate had been the sole occupant of Your independent living unit during the term of this Agreement.

No refund will be made to either of You or Your estate until both of You has vacated all Living Accommodations in Brandon Oaks.

B. When one of two residents occupying Your independent living unit dies or otherwise terminates occupancy, the remaining resident may continue to reside in Your independent living unit or other Living Accommodation at Brandon Oaks and will pay the then applicable single person monthly service fee for occupancy.

XVII. DISPOSITION OF PROPERTY ON TRANSFER OR DEATH OF RESIDENT

A. In the event of Your permanent transfer from Your independent living unit to Assisted Living or BONRC, or from Assisted Living to BONRC, all of the Your property must be removed from Your independent living unit within fifteen (15) days, or from Assisted Living within five (5) days, and the previous Living Accommodation must be left in good condition, except for reasonable wear and tear.

In the event that Your property is not removed from the Living Accommodation within the specified period, Sponsor has the right to remove and store Your property at Your expense, or You shall continue to pay the Monthly Service Fee for Your Living Accommodation in addition to the per diem charge assigned to the accommodation currently occupied; the choice to be at Sponsor's discretion.

B. In the event of Your death, all of Your property must be removed from Your independent living unit within fifteen (15) days or from Assisted Living within five (5) days, and the accommodation must be left in good condition, except for reasonable wear and tear.

In the event that Your property is not removed within the specified period, Sponsor has the right to remove and store Your property at the expense of Your estate, or Your estate will continue to pay the Monthly Service Fee on the Living Accommodation; the choice to be at Sponsor's discretion.

C. In the event of Your death or permanent transfer if You are residing in BONRC, all of Your property must be removed from the room within twenty-four (24) hours.

In the event that Your property is not removed from BONRC within the specified period, Sponsor has the right to remove and store Your property at Your or Your estate's expense, or You or Your estate shall continue to pay the Monthly Service Fee for Your Living Accommodation, should Your Living Accommodation be occupied, in addition to the per diem charge assigned to the accommodation in BONRC, the choice to be at Sponsor's discretion.

XVIII. CHANGE OF INDEPENDENT LIVING UNIT OR ADDITION OF RESIDENT

A. Change of Independent Living Unit before Occupancy

Before moving into Brandon Oaks, You may transfer to a different type of independent living unit if available. You shall pay the Entrance Fee for the independent living unit, applicable at the time of the transfer. Any portion of the Entrance Fee already deposited by You, including interest, will be applied toward the deposit required for the Entrance Fee for the new independent living unit.

B. Change to a Smaller Independent Living Unit after Occupancy

Upon written approval of the Executive Director, You may move to an available smaller independent living unit in Brandon Oaks under the following guidelines:

1. You shall make a written request to the Executive Director to move to a smaller independent living unit.

2. All costs associated with the move shall be borne by You. You shall also be responsible for the cost of refurbishing the currently occupied independent living unit for re-occupancy, unless You have lived in the independent living unit for ten (10) years or longer. The independent living unit being moved into will be refurbished at Sponsor's expense.

3. After the move, You shall pay the Monthly Service Fee applicable to the new independent living unit.

4. Should You move from a larger independent living unit to a smaller independent living unit, there will be no adjustment or refund to the Entrance Fee.

5. After the independent living unit is ready for occupancy, You will have thirty (30) days to occupy the smaller independent living unit.

C. Change to a Larger Independent Living Unit after Occupancy

Upon written approval of the Executive Director, You may move to an available larger independent living unit in Brandon Oaks under the following guidelines:

1. You shall make a written request for a larger independent living unit to the Executive Director.

2. All costs associated with the move shall be borne by You. You shall also be responsible for the cost of refurbishing the currently occupied independent living unit for re-occupancy, unless You have lived in the residence for ten (10) or longer years. The independent living unit being moved into will be refurbished at Sponsor's expense.

3. Should You move from a smaller independent living unit to a larger independent living unit, You will pay an additional Entrance Fee in an amount equal to the difference between the

Entrance Fee previously paid and the current Entrance Fee for the larger independent living unit. The Entrance Fee originally paid by You shall be applied to the Entrance Fee applicable at the time of transfer to the larger independent living unit. Upon termination of this Agreement, either by death or withdrawal, any refund due shall be calculated based upon the Entrance Fee for the independent living unit occupied at the time of termination.

4. After the move, You shall pay the Monthly Service Fee applicable to the new independent living unit.

5. After the independent living unit is ready for occupancy, You will have thirty (30) days to occupy the larger independent living unit.

D. Additional Occupancy

1. Qualified Resident. In the event You wish to have a second person who is not a party to this Agreement occupy Your independent living unit, the second person shall pay Sponsor an Entrance Fee equal to the then current full Entrance Fee for a single person for Your independent living unit provided, however, that Sponsor may modify this Fee based on an actuarial analysis. You shall then pay the Monthly Fee applicable to Your independent living unit for two residents.

   Acceptance of the additional resident shall be in accordance with any admission policies then in effect governing all other admissions, in the sole discretion of Sponsor. The second person shall execute an addendum to this Agreement and shall be a "resident" as defined.

   The provisions of this section apply to a second person or spouse should You marry after occupancy of Your independent living unit at Brandon Oaks.

2. Non-Qualified Spouse. In the event that You marry while residing at Brandon Oaks and Your spouse does not qualify for admission, Your spouse may live at Brandon Oaks as a "Non-Qualified Spouse." You will be required to pay Sponsor the additional Entrance Fee and Monthly Fee applicable to Your independent living unit for two persons in accordance with Section XVIII.D.1, above. The Non-Qualified Spouse will be required to enter into a Non-Life Care Residency Agreement with Sponsor. Your Non-Qualified Spouse shall be entitled to the benefits of residency at Brandon Oaks except that:

   a. Your Non-Qualified Spouse may utilize assisted living and skilled nursing care at Brandon Oaks only upon payment of the then-prevailing full rate charged to non-life care residents;

   b. In the event You pre-decease Your Non-Qualified Spouse, Your Non-Qualified Spouse may continue to reside in Your independent living unit upon payment of the full single person Monthly Fee; and

   c. Your Non-Qualified Spouse shall not be entitled to receive any financial assistance from Sponsor.

XIX. FINANCIAL AID

A. Status of Sponsor. Sponsor is qualified as tax exempt under Section 501 (c) (3) of the Internal Revenue Code as a non-taxable corporation organized under the laws of the Commonwealth of Virginia for the purpose of operating Brandon Oaks as a continuing care retirement community.

B. Charitable Organization. It is and shall be the declared policy of Sponsor to operate as a charitable organization. Sponsor will not terminate this Agreement without just cause as specified in Section XV.E.

C. Inability of Resident to Pay Fees. If You become unable to pay Your Monthly Service Fee and other fees due and payable to Brandon Oaks under this agreement, subject to the conditions set forth in this Part XIX, Sponsor will not terminate this Agreement solely on the basis of Your financial inability to pay the total Monthly Service Fee. Sponsor may in its sole discretion, based upon sound business judgment, grant deferment of all or some portion of the total Monthly Service Fee. Such deferred charges, plus interest calculated at Prime plus 1% per annum may be recovered by Sponsor pursuant to Section XV.G. Provided, however, that You shall not have impaired Your ability to meet Your financial obligations. If You have willfully distributed Your assets or use them in a manner not reasonable to support Your living or healthcare, You will be in breach of the Agreement and will not qualify for any support that could be provided under this Part XIX of this Agreement. If You become financially unable to pay fees and charges for services provided by the Sponsor due to circumstances beyond Your control, You must make application to the Sponsor for special financial accommodation.

D. Application for Public Benefits. Before You would qualify for financial assistance by Sponsor, You will be required to investigate other sources of financial aid. Sponsor will assist You in seeking other benefits for which You may be eligible, including but not limited to Social Security, Aid to the Blind, veterans' pensions, Old Age Assistance, and SSI/SSP.

E. Increase in Assets; Preservation of Assets; Repayment Instruments. To maintain any assistance arrangement, You must do all of the following: (1) report promptly to Sponsor any material increase in Your assets and their value, whether the increase occurs by way of gift, inheritance, appreciation in value, or otherwise; (2) refrain from transferring any assets for less than their fair market value; (3) make arrangements, at Sponsor's request, for the preservation and management of Your property by others, including conservators and trustees; (4) execute any instruments (including but not limited to promissory notes, assignments, and security agreements) that Sponsor deems necessary to evidence or secure its claim for repayment of any sums due under this Section XIX; and (5) agree to move to a smaller independent living unit if requested to do so by Sponsor.

F. Repayment to Sponsor. You agree that the value of any subsidy or financial assistance that You receive under this Section XIX shall be deemed a loan to You by Sponsor, shall be a first lien against Your estate, and shall be deducted from any refund that Sponsor may owe You or Your estate under this Agreement. If Your financial situation improves while You are at

Brandon Oaks, Your subsidy may be reduced or eliminated, as determined by Sponsor in its sole discretion. If Your financial situation improves to the extent that You are able to repay all or part of the value of the subsidy, You will be required to make such repayment at a rate and on terms established by Sponsor, in its sole discretion.

XX. RIGHT OF ENTRY

You agree to give to duly authorized employees of Sponsor the right of entry into Your Living Accommodation at all reasonable times to provide services in accordance with the provisions of this Agreement, for inspection or maintenance purposes and at any time for emergency purposes.

You also agree that Your independent living unit may be shown to a prospective resident during normal daytime hours and after notice of termination of this Agreement has been given or You have been required to vacate Your residence in accordance with the provisions of this Agreement.

XXI. LOSS OF PROPERTY

You agree that all Your personal property in, on or about Brandon Oaks is at Your sole risk at all times unless the care and control of said property is specifically accepted in writing by Sponsor, and then for lack of ordinary care. Brandon Oaks shall not be liable or responsible for any loss or damage to Your personal property caused by fire, flood, other casualty, leaking of water, bursting of pipes, theft, or any other cause beyond the negligent act or omission of the Sponsor or any officer, agent or employee of the Sponsor acting within the scope of his or her employment. It is Your responsibility to obtain and maintain, at Your own expense, renter's insurance; insuring against Your property damage or loss and personal liability to others. Upon Sponsor's request, You must provide evidence of insurance coverage.

XXII. INDEBTEDNESS OF RESIDENT

Sponsor is not liable or responsible for any expense, debt or obligation of any kind incurred by You on Your own account.

XXIII. POWER OF ATTORNEY

You shall execute and maintain in effect a general Power of Attorney valid under Virginia law. This Power of Attorney will designate as Your attorney-in-fact a bank, lawyer or other responsible person or persons to act for You as fully and completely as You could act if acting personally and will be otherwise satisfactory to Sponsor. You shall deliver to Sponsor a fully executed copy of this Power of Attorney prior to occupancy of Your independent living unit.

XXIV. ARBITRATION

Any controversy arising under, out of, in connection with, or relating to this Agreement and any addendum thereto will be determined and settled by arbitration in accordance with Virginia law. Any award rendered will be final and binding on each and all of the parties and their personal representatives; judgment may be entered on any such award in any court having jurisdiction.

XXV. BINDING EFFECT

This Agreement supersedes all prior discussions, negotiations, and agreements between You and the Sponsor regarding Your residency and constitutes the entire agreement between the parties. The covenants and conditions contained in this Agreement will bind and inure to the benefit of Sponsor and You and their respective heirs, distributees, executors, administrators, committees and successors. The provisions of this Agreement also specifically benefit any mortgagee or other lender of the Sponsor.

XXVI. RESIDENTS' COUNCIL

The residents of Brandon Oaks may elect a Residents' Council from among themselves in such manner as they see fit, and Sponsor agrees to meet and consult regularly with the Residents' Council on matters directly affecting the wellbeing of the residents. The Residents' Council serves in an advisory role.

XXVII. MOTORIZED CARTS

Residents who utilize a motorized cart must comply with the policies of Brandon Oaks pertaining to such devices.

XXVIII. PRIVATE DUTY/HOME HEALTH

Residents who utilize private duty aides or home health agency or other outside personnel must comply with all of the policies of Brandon Oaks pertaining to such aides and personnel.

XXIX. PETS

Pets are welcome at Brandon Oaks provided that You abide by our Pet Policy. A copy of the Pet Policy will be provided to You upon admission. Repeated violations of our Pet Policy will result in You being required to arrange for alternative arrangements for Your pet off-campus.

XXX. DISCLOSURE STATEMENT

You acknowledge receipt of a Disclosure Statement for Brandon Oaks, in accordance with Section 38.2-4900 <u>et. seq.</u> of the Code of Virginia

XXXI. MISCELLANEOUS

A. This Agreement constitutes the entire contract between the parties and no waiver or modification of any of its terms and conditions will be valid unless reduced to writing and attached to this Agreement and signed by all parties.

B. If any provision or clause of this Agreement is determined by a judicial or administrative tribunal to be invalid or unenforceable, the remaining portions of this Agreement shall be unaffected and will remain in full force.

C. The parties further agree that the laws of the Commonwealth of Virginia shall govern all of their rights and duties under this Agreement including without limitation the validity of this Agreement, the capacity of the parties thereto, the form of the Agreement, the interpretation of its language and any questions concerning its performance and discharge.

D. Any notice required to be given to Sponsor under this Agreement must be in writing and mailed or delivered to:

Executive Director
BRANDON OAKS
3804 Brandon Ave. SW
Roanoke, VA 24018

E. Any notice required to be given to You prior to occupancy shall be in writing and mailed first-class mail to Your last known address.

F. Sponsor reserves to itself and its directors, employees and agents the absolute unilateral right to manage Brandon Oaks. Sponsor reserves the right to accept or reject any person for residency, and to enter into agreements with residents on terms that are different than those contained in this Agreement. Residents do not have the right to determine admission, terms of admission or termination for any other person.

IN WITNESS HEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT AND YOU ACKNOWLEDGE RECEIPT OF A COPY HEREOF AND THAT YOU HAVE READ THIS AGREEMENT.

Dated: ______________ ____
Resident

Dated: ______________ ____
Resident

Dated: ______________ FOR BRANDON OAKS

By: ________________________________
Authorized Agent

Its: ________________________________

Appendix I:

OPTIONS TO LIMIT MEDICAL CARE ASSISTANCE BY BRANDON OAKS

All terms used in this Appendix I have meanings assigned to them in the foregoing Services & Residency Agreement (the “Agreement”). Your selection of a limited medical care assistance option should be considered if You have long-term health care insurance or otherwise determine that You wish to pay for long-term medical care personally on an as-needed basis. This Option allows You to limit Brandon Oak’s obligation to pay base charges for these services to three hundred sixty-five (365) days and thereby reduces the entrance fee that must be paid by You for Your residence.The applicability of the following provision depends upon whether or not you selected the Limited Medical Assistance Option.

Resident certifies that he/she has read the Limited Medical Assistance Option described below and understands its terms.

____
Resident initials

LIMITED MEDICAL ASSISTANCE OPTION

A. Limited Medical Assistance Option: Brandon Oaks will provide special health care servicespursuant to Section I of the Services and Residency Agreement in Your residence,assisted living services in areas designated therefor and nursing care in the Nursing & Rehabilitation Center or other designated areas after partial reimbursement from Medicare,Medicaid or other public or private insurance or assistance programs covering you for a limited period of three hundred sixty-five (365) cumulative (consecutive or non-consecutive) days of medical service use. For purpose of this paragraph, a day or portion thereof in an assisted living area or the Nursing & Rehabilitation Center or other area designated for these services shall count as one day of use. After this limited period of medical service use, Brandon Oaks will continue to provide you with medical care services but these charges will be provided at Your expense.

B. Subsequent Charges for Medical Care: Once you have received the allotted three hundred sixty-five (365) of cumulative medical service at the expense of Brandon Oaks (including reimbursement from Medicare, Medicaid or other public or private insurance or assistance programs covering you), you will thereafter be responsible for all additional medical services listed above and will be charged on a per-service basis at the daily private pay rate for assisted living and nursing care services and/or the per visit rate for special services as established and set by Brandon Oaks from time to time. You will also continue to be responsible for payment of Your Monthly Fee until such time as Your Residence has been released to Brandon Oaks.

> For Example: You live in a one bedroom unit at the current applicable Monthly Fee and you are transferred for a period of twenty (20) days to the Nursing & Rehabilitation Center. You are then transferred to an area where assisted living services are provided to You for an additional ten (10) days before returning to Your residence. These thirty (30) days of medical service use are covered by Your Monthly Fee and are subtracted from Your three hundred sixty-five (365) cumulative days of medical service use. At a later time, You are transferred to an assisted living area or the Nursing & Rehabilitation Center on a permanent basis and release Your Residence to Brandon Oaks for marketing to a new resident. For the first three hundred thirty-five (335) days after your transfer (the remaining medical service coverage available to you), you will pay the then applicable Monthly Fee for Your residence and Brandon Oaks will pay Your charges for medical service coverage during this time. Thereafter you will cease paying the Monthly Fee (if You have released your residence to Brandon Oaks) and will be charged for medical service at the current private pay rate after Your remaining days of medical service has been used. Your Monthly Fee will continue to be charged to you until such time as You transfer to the assisted living or the Nursing and Rehabilitation Center is determined to be permanent and has been released to Brandon Oaks.

C. <u>Married Couple Occupying Residence:</u> In the event that two (2) persons have signed this Agreement as residents and one (1) of the residents has died or been permanently transferred to an assisted living or the Nursing and Rehabilitation Center and has used up his or her medical coverage, the monthly fee for the spouse shall be changed to reflect single occupancy of the Residence. For purposes of the provisions of this Limited Medical Assistance Option, each resident and each spouse of a married couple shall be entitled to three hundred sixty-five (365) cumulative days of medical service use to be provided at the expense of Brandon Oaks in accordance with the terms of this Agreement. The entitled days of medical service use are non-transferable between residents and between spouses of married couples.

APPENDIX A-1

NON-LIFE CARE RESIDENCY AGREEMENT

2024

NON-LIFE CARE

SERVICES AND RESIDENCY AGREEMENT

Between

BRANDON OAKS

And

____

INDEX

NON-LIFE CARE SERVICES AND RESIDENCY AGREEMENT

THIS NON-LIFE CARE SERVICES AND RESIDENCY AGREEMENT is made and entered into by and between VIRGINIA LUTHERAN HOMES, INC., a 501(c)(3) tax-exempt corporation, trading as BRANDON OAKS (hereinafter referred to as "Sponsor"), and ________________________________ (hereinafter referred to as "resident" or "You") on ___________, 20__. Brandon Oaks is operated on a non-discriminatory basis and affords equal treatment and access to services to qualified persons regardless of race, color, religion, national origin, ancestry or disability.

Your Spouse,_____________________________ ("Life Care Resident"), has entered into a Life Care Services and Residency Agreement as of even date herewith. You do not qualify for a Life Care Services and Residency Agreement because You are less than 62 years of age, but wish to reside at Brandon Oaks on a fee-for-service basis subject to the terms of this agreement.

By signing this Agreement, You represent that the information You included in Your Confidential Application, which is part of this Agreement, is true and complete, and You agree that the Sponsor has relied upon that information in making this Agreement. Any misrepresentation of information can be considered a breach of this Agreement.

DEFINITIONS:

A. INDEPENDENT LIVING UNIT, whenever it appears in this Agreement, refers to one of the various types of accommodations for independent living available at Brandon Oaks.

B. ASSISTED LIVING, whenever it appears in this Agreement, refers to that portion of Brandon Oaks that is licensed by the Commonwealth of Virginia as an "Adult Care Residence."

C. MEMORY CARE, whenever it appears in the Agreement, refers to that portion of Brandon Oaks Assisted Living that is designated as Memory Care.

D. BRANDON OAKS NURSING AND REHABILITATION CENTER ("BONRC"), whenever it appears in this Agreement, refers to that portion of care provided in a facility licensed by the Commonwealth of Virginia as a "Nursing Facility." Including that portion licensed by the Commonwealth of Virginia as "Assisted Living". The "Nursing Facility" includes short term rehabilitation and long and short term skilled nursing.

E. LIVING ACCOMMODATION, whenever it appears in this Agreement, refers to any independent residence, accommodation in Assisted Living, or accommodation in BONRC.

F. NON-LIFE CARE SERVICES, whenever it appears in this Agreement, shall mean those services that Brandon Oaks is obligated to provide to You in accordance with Sections II and III.

IN CONSIDERATION of the facilities and services to be provided by the Sponsor, and the fees and charges to be paid by You, IT IS HEREBY AGREED:

I. FACILITIES PROVIDED BY THE SPONSOR

A. Living Accommodation

You shall have a personal, non-assignable right for as long as You live, subject to the terms of this Agreement, to reside in a Living Accommodation in Brandon Oaks as a Non-Life Care resident. The initial independent living unit in which You shall reside is described as follows: ____ ____. You will occupy this independent living unit with ____, the Life Care Resident

Independent Living Unit Furnishings

1. Main Building. Sponsor will provide each independent living unit in the main building with wall-to-wall carpeting and or hard wood flooring, except in the kitchen and bath; window treatments; a fully equipped electric kitchen including refrigerator, range with oven, ducted fan, microwave and garbage disposal; and an option of a washer and dryer, pantry or dishwasher.

2. Cottages. Sponsor will provide each cottage unit with wall to wall carpeting and or hard wood flooring, except in the kitchen and bath; window treatments; and a fully equipped electric kitchen including refrigerator, range with oven, ducted fan, microwave, dishwasher and garbage disposal. In addition, each cottage independent living unit is equipped with a washer and dryer.

3. Village Homes. Each village home unit contains a washer and dryer; window treatments; fully equipped electric kitchen including a refrigerator, stove, microwave oven, dishwasher and garbage disposal; and floor coverings that include tile, carpet and/or hardwood floors.

4. The Pines and Dogwood Apartments. The Pines and Dogwood Apartments are equipped with wall to wall carpeting and or hard wood flooring, except in the kitchen and bath; window treatments; fully equipped electric kitchen including refrigerator, range with oven, ducted fan, microwave, garbage disposal, and dishwasher; washer and dryer; and internet service. In addition, underground parking is provided at The Pines.

If You desire redecoration, addition of built-in appliances, or upgrading of any furnishings normally provided by Sponsor, such changes will require an addendum to this Agreement and will be at Your own expense. In addition, upon termination of occupancy, Sponsor may require, as provided in such addendum, that You must pay to restore Your independent living unit to its original condition. Any replacement, upgrading, or addition of appliances or furnishings by You shall become the property of Sponsor, unless otherwise agreed to by the Executive Director in writing.

C. Brandon Oaks Facilities

You may use, in common with other residents, dining venues, library, chapel, lobbies, recreational and wellness facilities (indoor and outdoor), craft facilities and other common areas provided for You.

D. Personal Service Facilities

1. Automatic washers and dryers will be available to You at no charge.

2. Limited storage facilities will be available only to residents of apartments. Use of storage facilities will be subject to direction and supervision of Sponsor, but You shall bear the risk of loss.

II. SERVICES PROVIDED BY SPONSOR

In consideration of the Monthly Service Fee referred to below, Sponsor shall provide You the following services:

A. Utilities

Sponsor shall provide all utilities including water, heating, electricity, natural gas, air conditioning, basic cable TV, and local telephone service*, subject to the availability of the services to the Sponsor. A variety of internet options is available from outside service providers for Your independent living unit as well as designated Wi-Fi areas within the community.

*Traditional land-line telephone service is mandatory to enable personal emergency response systems and/or life/fire/safety alarm functions

B. Dining Service

1. A Flexible Meal Program with a declining balance that equates to one meal per day.

2. Tray service will be provided to You in Your independent living unit during minor, short-term illness upon order of the Medical Director or the Director of Nursing.

3. Credit will be given for absences of more than seven (7) consecutive days for missed meals in accordance with Sponsor's then-current policy.

4. Private dining rooms are available for residents to reserve for special events. There is no charge for use of the private dining rooms.

C. Transportation

Sponsor shall provide reasonably scheduled local transportation.

D. Linen Service

Sponsor shall provide laundering of sheets and towels weekly in all residences.

E. Housekeeping

1. Sponsor shall provide twice monthly housekeeping. You agree to maintain Your independent living unit in a safe, clean, sanitary and orderly condition and to perform all usual light housekeeping. In the event You fail to maintain Your independent living unit, Sponsor may perform, at Your expense, such special cleaning, fumigation, and other work necessary to return Your independent living unit to a safe, clean, sanitary, and orderly condition.

2. Sponsor shall perform other heavier housekeeping services on a scheduled basis, as deemed necessary by Sponsor.

F. Maintenance and Repair

Necessary repairs, maintenance and replacement of property and equipment owned by Sponsor will be performed and provided by Sponsor. Repairs, maintenance and replacement of Your property will be Your responsibility.

G. Janitorial Service

Janitorial services will be provided by Sponsor for the common areas of Brandon Oaks.

H. Grounds Maintenance

Sponsor will furnish basic grounds keeping care, including lawn service and snow removal.

I. Safety

1. Your independent living unit will be equipped with an emergency call system.

2. Your independent living unit will be equipped with a smoke detector.

3. Your independent living unit will be furnished with a safety-equipped bath.

4. Security supervision of buildings and grounds shall be provided by Sponsor.

J. Programs

Planned activities (social, cultural, wellness, spiritual, educational and recreational) will be provided for those who wish to participate. Certain programs and events may require an additional fee.

K. Beauty/Barber Shop/Nail Salon

A beauty/barber/nail salon will be provided for Your use. Services used may be paid for at the time service is rendered or may be billed monthly to Your account.

L. Medical and Nursing Care

Medical and nursing care will be available as specified in Section III on a per diem basis but are not included in the Monthly Service Fee. A Life Care resident will be responsible for all services that are billed through Medicare or Medicare supplement, including co-payments, associated with services provided in assisted living, long or short term skilled nursing, or short term rehabilitation stays.

M. Parking

Parking for Your automobile(s) is available on a non-assigned basis, subject to the rules set forth in the Resident Handbook.

N. Supplemental Services

When available, the following extra services will be provided at an additional charge as set forth in the Fee Schedule provided to You upon admission. Sponsor may adjust these fees upon thirty (30) days written notice. Please see Your resident handbook for service and program details.

1. The dining venues will be available in combination for three (3) meals a day. Additional meals or groceries in excess of the quarterly dining allotment.

2. Guest meals and overnight accommodations, subject to availability, will be available.

3. Catering for Your private parties will be available at reasonable charges to be determined on an individual basis.

4. Certain ancillary services (such as medications, medical supplies and physical, occupational and speech therapy), as deemed reasonable by Sponsor, may be available at Brandon Oaks. Such services may be provided upon order by Your physician or the Medical Director, and at an additional cost to You.

5. Other optional services related or unrelated to care in the BONRC or in Assisted Living may be available at an additional cost to You. The additional charge for these optional services will be billed to You.

6. Additional laundry and housekeeping.

7. Tray service, other than for a short-term illness, approved by the Medical Director or Director of Nursing.

8. Unscheduled transportation.

III. MEDICAL CARE

Brandon Oaks owns and operates facilities offering Assisted Living, Memory Care, and Skilled Nursing and Rehabilitative Care. All are licensed by the Commonwealth of Virginia. Brandon Oaks offers Non-Life Care Services to certain of its residents who do not qualify for a Life Care Services and Residency Agreement. A Life Care resident will be responsible for all services that are billed through Medicare or Medicare supplement, including co-payments, associated with services provided in assisted living, long or short term skilled nursing, or short term rehabilitation stays.

The Non-Life Care Services Brandon Oaks provides are listed below.

A. Emergency response will be provided by Brandon Oaks personnel.

B. Response to the emergency call system will be provided 24 hours a day.

C. Sponsor shall designate a licensed physician as Medical Director, who will function in an advisory role as a consultant to the staff.

D. You, at Your own expense, may engage the services of the Medical Director if the Medical Director is willing and able to take additional patients. Sponsor will not be responsible for the charges for Your medical treatment by the Medical Director.

E. Accommodations in Assisted Living, Memory Care will be provided when deemed appropriate by Your physician and the Case Manager of Brandon Oaks and in accordance with this Agreement. You shall be charged the per diem rate for those services as provided in Section VII below.

F. When licensed nursing care is required, semiprivate accommodations will be provided in BONRC in accordance with this Agreement. You shall be charged the per diem rate for those services as provided in Section VI below.

G. Respite care may be provided in Assisted Living, subject to availability, and shall be charged at the per diem rate for those services as provided in Section VII below.

H. In the event You are absent from Brandon Oaks, or choose to receive care at another non-affiliated health care facility, Sponsor is not responsible for health care charges incurred by You. You shall continue to pay the Monthly Service Fee until the Agreement is terminated pursuant to Section XV.

I. You shall be solely responsible for all other costs, fees and services, including but not limited to the following: the cost of assisted living services, skilled or long-term nursing services, physician services other than the on-site physician services as described in Section III; inpatient and outpatient hospital services, private duty personnel, laboratory and diagnostic services; prescription and over-the-counter drugs; audiological tests and hearing aids; eyeglasses and refraction; dentistry, dentures, dental inlay and oral surgery, orthopedic appliances and other durable medical equipment, medical supplies, physical, occupational and speech therapies; podiatry; professional care for psychiatric disorders; treatment for alcohol or drug abuse and renal dialysis. A Life Care resident will be responsible for all services that are billed through Medicare or Medicare supplement, including co-payments, associated with services provided in assisted living, long or short term skilled nursing, or short term rehabilitation stays. The omission of a particular health care service from the foregoing list of specific exclusions does not indicate that the service will be covered.

IV. MEDICARE AND HEALTH INSURANCE COVERAGE

You shall maintain Medicare Part A B and D and one supplemental health insurance policy, or equivalent insurance coverage acceptable to Sponsor, to ensure Your ability to cover insurable health care costs, and shall furnish to Sponsor evidence of coverage upon occupancy and thereafter upon request. You shall cooperate with Brandon Oaks in connection with any required application, execution of all necessary forms and the processing and collection of health care payment or reimbursement claims to which Brandon Oaks may be entitled for care provided to You. Prior to changing Your health insurance coverage, You must notify Sponsor so that Sponsor can discuss with You how this may affect the services You receive at Brandon Oaks. A Life Care resident is responsible for all medical services, to include short term rehabilitation, that are billed through Medicare services, including co-payments. For example, a Life Care resident that requires a short-term rehabilitation stay at Brandon Oaks Nursing and Rehabilitation Center is responsible for any medical services provided during that stay that are Medicare covered services. This includes all co-payments that may be incurred.

V. LIEN FOR MEDICAL CARE

Sponsor shall not be responsible for providing any medical, nursing or additional care for You if You are injured as a result of the fault, negligence or carelessness of any third party or parties. You shall promptly notify Sponsor of any injury by a third party or parties. In the event that Sponsor provides any care for such injuries, You shall assign to Sponsor any funds that may be recovered from the third party or parties to compensate You for injuries sustained, to the extent necessary to reimburse Sponsor for charges incurred in providing such care. Such obligation shall be enforceable by Sponsor against any property owned by You or Your estate. You or Your legal representative shall cooperate with Sponsor in collecting such funds and reimbursing Sponsor.

VI. TRANSFER FROM INDEPENDENT LIVING UNIT TO BONRC

A. If, in the opinion of Your Attending Physician or the Medical Director, Your physical or mental health care needs require licensed nursing care, You agree to relocate temporarily to BONRC where Sponsor is licensed to provide such care.

B. After consultation with You or Your agent, Sponsor may permanently transfer You to BONRC, upon a determination by: (i) Brandon Oaks' Case Manager; and (ii) the Resident Care Committee or Your Attending Physician that such a transfer is necessary to meet your health care needs.

In the event of a permanent transfer to BONRC, Sponsor has the right to assign Your independent living unit for occupancy by others.

C. If Sponsor, in conjunction with Your Attending Physician and or the Medical Director, subsequently determines that Your health care needs no longer require licensed nursing a comparable independent living unit shall be provided to You as soon as available.

D. During any stay at BONRC, You shall be responsible for the then-current full per diem rate, as adjusted by Sponsor from time to time. In addition, until You have vacated Your independent living unit, You and the Life Care Resident shall also continue to be responsible for Your Monthly Service Fee.

E. You shall be given priority over non-residents for accommodations in BONRC. In the unlikely event that BONRC is fully occupied, after consultation with You or Your agent, You shall relocate to another nursing care facility until such accommodation becomes available at BONRC.

If care is provided in an alternate facility, You will be responsible for all fees and charges at such alternate facility. In addition, until You have vacated Your independent living unit, You will continue to pay the Monthly Service Fee as if You were residing in Your independent living unit.

VII. TRANSFER FROM INDEPENDENT LIVING UNIT TO ASSISTED LIVING, AND MEMORY CARE

A. If, in the opinion of Your Attending Physician or the Medical Director or the Executive Director, Your physical or mental health care needs require Assisted Living services, or Memory Care services You agree to relocate temporarily to Assisted Living, or Memory Care where Sponsor is licensed to provide such care.

B. After consultation with You or Your agent, Sponsor may permanently transfer You to Assisted Living or memory Care, upon a determination by Brandon Oaks licensed health care staff and/or Your Attending Physician that such a transfer is necessary.

In the event of a permanent transfer to Assisted Living or Memory Care, Sponsor has the right to assign Your independent living unit for occupancy by others.

C. If Sponsor, in conjunction with Your Attending Physician and the Medical Director, subsequently determines that Your care needs no longer require Assisted Living Services or Memory Care, a comparable independent living unit shall be provided to You as soon as available.

D. During any stay at Assisted Living or Memory Care, You shall be responsible for the then-current full per diem rate, as adjusted by Sponsor from time to time. In addition, until You have vacated Your independent lining unit, You shall also continue to be responsible for Your Monthly Service Fee.

E. If an Assisted Living or memory Care apartment is available, You shall be given priority over non-residents for accommodations in Assisted Living and Memory Care. If Assisted Living and/or Memory Care is fully occupied, after consultation with You or Your Agent, You shall relocate to another assisted living facility until such accommodation becomes available at Brandon Oaks.

If care is provided in an alternate facility, You will be responsible for all fees and charges at such alternate facility. In addition, until You have vacated Your independent living unit, You will continue to pay the Monthly Service Fee as if You were residing in Your independent living unit.

There are limitations to the type of nursing care that Brandon Oaks is able to provide. The following are examples of limitations but not limited to: If you have a dangerously contagious desease, an uncontrolled or untreated mental condition or specialized psychiatric condition, or any conditions requiring services which are prohibited under the licenses or the BONRC, Assisted Living, and Memory Care.

VIII. OCCUPANCY AND FEES

You agree to pay to Sponsor the fees on the following schedule:

A. An Entrance Fee in the total amount of $_____, which fee is a one-time fixed fee, which shall not be changed unless You change Your independent living unit as provided in Section XVII of this Agreement.

1. The amount of $___________, which is ten percent (10%) of the Entrance Fee, receipt of which is hereby acknowledged by Sponsor (as evidenced by the Reservation Agreement), shall be held in escrow by the escrow agent under the terms of its Escrow Agreement with Sponsor.

2. The Sponsor shall maintain in escrow with a bank or trust company or other escrow agent approved by the Insurance Bureau of the State Corporation Commission of the Commonwealth of Virginia, all ten percent (10%) deposits and other payments in respect to the Entrance Fee received from You prior to the occupancy date. Funds deposited therein shall be kept and maintained in an account separate and apart from the Sponsor's business accounts and shall remain Your property until released to the Sponsor, which release shall take place when the Sponsor presents to the escrow agent evidence that an independent living unit has been occupied by You, or an independent living unit of the type reserved is available for Your immediate occupancy by You.

3. The balance of the Entrance Fee shall be paid no later than ninety (90) days after the 10% deposit has been paid or at the time of move-in, whichever occurs first, unless a promissory note has been executed.

4. Any interest earned on the escrow portion of the Entrance Fee at the time of payment of the balance shall be credited toward the balance due.

B. A Monthly Service Fee appropriate to Your independent living unit and subject to change in accordance with the provisions of Section IX.

1. The initial Monthly Service Fee rate shall be in accordance with rates in effect on the date on which you have paid the Entrance Fee, met all other requirements for occupancy, are entitled to occupy the independent living unit, and the independent living unit is available for occupancy. (the "date of closing")

   a. A prorated portion of the Monthly Service Fee shall be due on the date of closing.

   b. The Monthly Service Fee is due and payable on the first of each month during the term of this Agreement. You shall be invoiced monthly by Sponsor for any services and supplies provided to You not included in the Monthly Service Fee. Such invoices shall be paid within ten business (10) days following receipt thereof. For Your convenience, an automatic draft payment option is available.

c. Brandon Oaks reserves the right to charge interest at a rate of one and one-half percent (1 ½%) per month on any unpaid balance over 30 days past due. You agree to pay all costs of collection including court costs, attorney fees and other fee and expenses that the Sponsor may incur in collecting payment.

2. In the event that You are transferred to Assisted Living, or BONRC, unless the Life Care Resident continues to occupy the independent living unit, You will be required to vacate the independent living unit, You will be required to pay the current per diem rate for Assisted Living or BONRC. Until You and the Life Care Resident have vacated Your independent living unit,, You will continue to pay the Monthly Service Fee for Your independent living unit.

3. You and the Life Care Resident are jointly and severally liable for the payment of the Monthly Service Fee, optional service fees, and all other amounts required to be paid to the Sponsor pursuant to this Agreement. If it is necessary for the Sponsor to institute legal actions or other proceedings to recover amounts payable to it under this Agreement, then the Sponsor also will be entitled to recover legal fees and costs incurred in connection with all such proceedings. This provision will survive any termination of the Agreement.

IX. ADJUSTMENTS IN MONTHLY SERVICE FEES

A. Sponsor may change the amount of the Monthly Service Fee, the per diem rate for Assisted Living or BONRC, other charges, or change the scope of the services or supplemental services upon thirty (30) days written notice if Sponsor, in its sole discretion, deems it necessary to meet the financial needs of operating Virginia Lutheran Homes, Inc. Monthly Service Fees adjustments traditionally take place annually on January 1st, but may be more frequent if warranted by financial conditions. Monthly Service Fee adjustments shall be in amounts necessary or appropriate, as determined by Brandon Oaks, to meet the costs of Operating Brandon Oaks and providing services under this Agreement including, but not limited to the establishment and maintenance of reasonable cash reserves.

Sponsor may change the amount of the Monthly Service Fee without notice when required by changes in State or Federal Regulations.

B. Sponsor has a policy of maintaining reserve funds specifically dedicated to the support and financial security of Brandon Oaks as required by its financing Agreements and Virginia Law.

Sponsor may utilize bequests or contributions, if any, and the income therefrom, for the benefit of Brandon Oaks in order to minimize the Monthly Service Fee, consistent with sound operation.

X. REPRESENTATIONS

A. Except as waived by Sponsor after full disclosure, Sponsor requires that You, at the time of admission, do not have health care needs that Sponsor cannot meet in an independent living unit, be free of communicable disease, have assets and income which are sufficient under foreseeable circumstances and after provision for payment of Your obligations hereunder to meet ordinary and customary living expenses after assuming occupancy.

B. The Application that You filed with the Sponsor is incorporated by reference. You represent that there have been no material changes in the information provided in the Application.

C. You agree not to impair Your ability to meet financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses. You from time to time, as reasonably requested by Sponsor, shall provide the Sponsor with personal financial data such as annual cash receipts and disbursements and a current list of assets and liabilities. You consent to allow Sponsor to verify accuracy of this information as deemed necessary by Sponsor.

XI. RULES AND REGULATIONS

You will abide by Sponsor's rules and regulations, including those set forth in the Resident Handbook, and the amendments, modifications and changes of these rules and regulations as may be adopted by Sponsor. Any rules and regulations adopted by Sponsor will be applied to all residents similarly situated without preference or prejudice to any resident or group of residents.

XII. TERMS OF OCCUPANCY

A. Rights of Resident

1. This Agreement grants to You a non-assignable, revocable right to occupy a Living Accommodation at Brandon Oaks. You agree that this Agreement is for services and does not entitle You to any title or interest in any Brandon Oaks real or personal property, and that all of Your rights under this Agreement are and shall be subordinate and subject to any mortgages, indentures, deeds of trust or other instruments of debt security in favor of a Brandon Oaks lender or bond holder now or hereafter existing. You shall have no personal liability for such indebtedness.

2. Your right to occupy a Living Accommodation at Brandon Oaks shall exist and continue during Your lifetime, unless revoked as provided for in Section XIV.

3. This Agreement is for services, is not a lease or an easement and does not transfer or grant to You any interest in real property owned by Sponsor.

B. Sponsor shall modify Your independent living unit to meet the requirements of any applicable statute, law or regulation. In addition, Sponsor may transfer You to a comparable, alternative Living Accommodation when necessary for health or safety reasons, repairs or renovations to Living Accommodations or to other portions of the campus.

C. No person other than You and Life Care Resident may occupy Your independent living unit without the express written approval of the Executive Director. All guests must abide by the then current guest policies of Brandon Oaks. Overnight guests are permitted for limited stays in accordance with those policies.

D. Sponsor shall not be liable for, and You agree to indemnify, defend and hold Sponsor harmless from claims, damages or expenses, including attorney's fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Your negligence or intentional act or omission.

E. In the event You, Your pets, guests or agents cause damage beyond normal wear and tear to Your Living Accommodation or to the common facilities of Brandon Oaks (including, but not limited to, damage caused by motorized cart use), Sponsor shall have the right to make necessary repairs at Your sole expense. Sponsor shall bill You for the full cost of such repairs and You shall remit payment within thirty (30) days following receipt of invoice.

F. If not previously made, You agree to make provision by Will, or otherwise, within three (3) months after the date You assume occupancy in Brandon Oaks for disposition of Your property at Brandon Oaks and the appointment of an executor of Your estate. Funeral and burial arrangements shall be specified in writing at the time of occupancy.

G. Furnishings within Your independent living unit will not be provided by Sponsor except as stated in Section I.B. Furnishings provided by You may not interfere with the health, safety and general welfare of You or other residents.

H. Smoking is not permitted in any building at Brandon Oaks and is only permitted in designated outdoor smoking areas.

I. If you wish to hire private duty companions and similar personnel, such persons must be hired pursuant to the requirements found in our Policies and Procedures, and pursuant to Virginia Regulations 22 VAC 40-73-220. You are responsible for ensuring that any such private duty person follows Brandon Oaks Policies and Procedures at all times. We reserve the right to prohibit any person, including private duty personnel hired by You, from coming onto the Community's property when, in our discretion, it is reasonable to do so. Payment of any approved private duty personnel is Your responsibility. You may not employ current or former employees of Brandon Oaks as private duty personnel without the express written consent of the Executive Director.

XIII. TEMPORARY TRANSFER FROM BRANDON OAKS

If You suffer any disability for which Sponsor is not permitted to provide care within the requirements of law, or if Your presence is deemed detrimental to the health, safety, or peace of the other residents, or if Sponsor determines such action to be in Your best interest, Sponsor has the authority to transfer You to another facility or institution, public or private, suitable for such cases. Such a transfer, if temporary, as determined by Sponsor in its sole good faith discretion, shall not be deemed to be a termination, either voluntary or involuntary, of this Agreement. You will be responsible for the cost of any care provided at the outside facility or institution.

XIV. TERMINATION AND REFUND OF ENTRANCE FEE

This Agreement may be terminated and refund of the Entrance Fee will be made as follows:

A. Right of Rescission

The Agreement may be rescinded by You by giving written notice to Sponsor within seven (7) days from the date of its execution. All deposit monies will be refunded within thirty (30) days after notice of rescission has been received. You are not required to move into Brandon Oaks before the expiration of the seven-day grace period.

B. Termination Prior to Occupancy

After Your right of rescission has expired, and before You have assumed occupancy at Brandon Oaks, You may terminate this Agreement. In such event, the Sponsor shall refund the deposit, without interest paid, less costs incurred by Sponsor pursuant to Your written request, only after the earlier of (i) one-hundred twenty (120) days following termination of this Agreement, or (ii) after another Agreement has been executed for Your independent living unit, the full entrance fee has been paid by the new resident and the rescission period for the new resident has expired. If You die before You have assumed occupancy at Brandon Oaks, or if You are precluded through illness, injury or incapacity from becoming a resident under the terms of this Agreement, this Agreement shall be automatically rescinded and You shall receive a full refund of all money paid to Sponsor, except for those costs specifically incurred by Sponsor at Your request and set forth in a separate addendum signed by both You and Sponsor. This refund will be paid within thirty (30) days from the date that Sponsor receives notice of Your death or illness, injury or incapacity.

C. Termination After Occupancy Due to Death

This Agreement automatically will terminate upon Your death. A refund of the Entrance Fee may be made according to the terms of Section XIV.F.

D. Termination After Occupancy For Reasons Other Than Death

Any time after You have assumed occupancy in Brandon Oaks; You may terminate this Agreement. You shall give Sponsor one hundred and twenty (120) days written notice and You and the Life Care Resident shall pay the Monthly Service Fee for that period or until a new resident begins paying the Monthly Service Fee, whichever is the shorter period.

Happiness Guarantee: You will have the right to terminate this Agreement within the first three months after the earlier of when you move in or when you paid the Entrance Fee Payment in-full, by giving written notice to the Sponsor and vacating the Premises during that three months. In such event, the Sponsor will refund the entire Entrance Fee (without interest) you have paid (minus the cost to restore the Living Accommodation to new condition and the cost for restoration for any damages you have made to the Living Accommodation) to you when the Sponsor is in receipt of the full Entrance Fee Payment from a substitute resident. This Happiness Guarantee shall not apply for reasons of death. This Happiness Guarantee shall not apply for a move to a licensed healthcare facility (defined as a move directly to a healthcare facility or if such a move is made within three months of the date you move out of Brandon Oaks). The resident’s Monthly Service Fee will continue while the resident and/or the resident’s personal possessions occupy the Living Accommodation.

E. Termination by Sponsor

1. Sponsor may, upon notice and reasonable opportunity given to You to remove the cause as hereinafter provided, terminate this Agreement for good cause. Good cause shall be limited to the following:

   a. Proof that You are a danger to Yourself or others.

   b. Nonpayment by You of the Monthly Service Fee (including per diem rates for services in Assisted Living or BONRC), subject to the provisions of Section XVII.C.

   c. Repeated conduct by You that interferes with the other residents' quiet enjoyment of Brandon Oaks.

   d. Persistent refusal to comply with reasonable written rules and regulations of Brandon Oaks.

   e. Material misrepresentation made intentionally or recklessly by You in Your application for residency, or related materials, regarding information which if accurately provided, would have resulted in either a failure of You to qualify for residency or a material increase in the cost of providing to You the care or services provided under this Agreement.

   f. Material breach by You of the terms and conditions of this Agreement.

2. Prior to termination for any just cause as defined above, Sponsor shall give You notice in writing of the intent to terminate effective thirty (30) days thereafter and the reason. You shall have thirty (30) days from notice within which to remove the just cause to terminate this Agreement. Initiation of the process for termination under this provision shall not eliminate Your obligation to pay the Monthly Service Fee until the termination becomes effective.

   If You remove the cause for this action within the thirty (30) days, this Agreement shall not be terminated. If You fail to remove the cause within the thirty (30) days, this Agreement will terminate at that time unless Sponsor believes the cause could not have been removed reasonably within thirty (30) days and a brief extension to remove the cause is granted.

3. Upon the effective date of termination of this Agreement, You will vacate the Living Accommodation and will leave it in good condition, except for reasonable wear and tear.

4. You are responsible for Monthly Service Fees until Your Living Accommodation is vacated. Your Living Accommodation shall be deemed vacated when all of Your personal possessions and furnishings have been removed. If You are

residing in Assisted Living or BONRC, You are responsible for the daily rate until the applicable Living Accommodation is vacated.

F. Reimbursement of Entrance Fee After Occupancy

Immediately upon occupancy and after expiration of the rescission period, an automatic four percent (4%) administrative charge shall be deducted from Your Entrance Fee. The remaining amount is Your "Adjusted Entrance Fee." Reimbursement of Your Adjusted Entrance Fee will depend on the type of Entrance Fee Plan You have initialized below, if You are eighty five (85) years of age or older You are only eligible for the Traditional Entrance Plan:

1. Traditional Entrance Plan ___________ (Initial)

   If at any time after occupancy You or Sponsor terminates this Agreement, or in the event of Your death, You (or Your estate) will be reimbursed a portion of the Adjusted Entrance Fee equal to the Adjusted Entrance Fee (without interest) paid less two percent (2%) for each month or fraction thereof, from the occupancy date to the date the Living Accommodation is vacated. The refund shall be paid within one hundred twenty (120) days from the date the accommodation is available for reoccupancy. After fifty (50) months of occupancy, there shall be no refund of the Adjusted Entrance Fee.

2. 50% Refundable Entrance Plan ___________ (Initial)

   If at any time after occupancy You or Sponsor terminate this agreement, or in the event of Your death, You (or Your estate) will be reimbursed at least fifty percent (50%) of the Adjusted Entrance Fee paid by You without interest. The refundable amount will be equal to the Adjusted Entrance Fee, less two percent (2%) per month or fraction thereof for the first twenty-five (25) months after the occupancy date. After twenty-five (25) months of occupancy, the Adjusted Entrance Fee refund will be fifty percent (50%). Such refund shall be made at such time as Sponsor receives the full Entrance Fee from a new resident for the residence and the rescission period for the new resident has expired.

3. 90% Refundable Entrance Plan ___________ (Initial)

   If at any time after occupancy, You or Sponsor terminate this Agreement, or in the event of Your death You (or Your estate) will be reimbursed ninety percent (90%) of the Adjusted Entrance Fee paid by You, without interest. Such refund shall be made at such time as Sponsor receives the full Entrance Fee from a new resident for Your Residence and the rescission period for the new resident has expired.

G. Sponsor shall have the right to deduct from the amount due You or Your estate the following:

1. Any Monthly Service Fees or per diem rates for Assisted Living or BONRC or other sums You owe to Sponsor under this Agreement or incurred by Sponsor pursuant to Your written request;
2. Any Monthly Service Fees or per diem rates for Assisted Living or BONRC, or portion thereof, deferred by Sponsor on behalf of You under Section XVII.C.
3. Any charges for damages, beyond reasonable wear and tear, to the Living Accommodation, by You, Your family, Your pet(s), guest(s) or Agent(s).
4. If Your independent living unit has been upgraded/modified as approved by Sponsor, upon Your and the Life Care Resident's move out, Sponsor may charge You for returning Your independent living unit to its prior condition.

XV. OCCUPANCY WITH LIFE CARE RESIDENT

Upon the death of both You and the Life Care Resident, or termination of this Agreement, any refund will be calculated and paid as if the last occupant to terminate had been the sole occupant of Your independent living unit during the term of this Agreement.

No refund will be made to You, Life Care Resident or Your estates until both of You have vacated all Living Accommodations in Brandon Oaks.

XVI. DISPOSITION OF PROPERTY ON TRANSFER OR DEATH OF RESIDENT

A. In the event of a permanent transfer from Your independent living unit to Assisted Living or BONRC or an outside facility, or in the event of Your death, You will continue to pay the Monthly Service Fee until Your independent living unit is vacated and all of Your property and belongings have been removed. If Your independent living unit is not vacated within fifteen (15) days of Your permanent transfer or death, Sponsor shall have the right to remove and store Your property and belongings at Your expense, or at its option, to keep Your property and belongings in Your independent living unit and continue to charge You the Monthly Service Fee.

B. In the event of Your death or transfer while residing in Assisted Living, You will continue to pay the daily rate until Your Living Accommodation is vacated and all of Your property and belongings have been removed. If Your Living Accommodation is not vacated within five (5) days of Your permanent transfer or death, Sponsor shall have the right to remove and store Your property and belongings at Your expense, or, at its option, to keep Your property and belongings in Your Living Accommodation and continue to charge You the per diem rate.

C. In the event of Your death or transfer while residing in BONRC, You will continue to pay the daily rate until Your Living Accommodation is vacated and all of Your property and belongings have been removed. If Your Living Accommodation is not vacated within twenty-four (24) hours of Your permanent transfer or death, Sponsor shall have the right to remove and store Your property and belongings at Your expense, or, at its option, to keep Your property and belongings in Your Living Accommodation and continue to charge You the per diem rate.

XVII. CHANGE OF INDEPENDENT LIVING UNIT

A. Change of Independent Living Unit Before Occupancy

Before moving into Brandon Oaks, You and Life Care Resident may transfer to a different type of independent living unit if available. You shall pay the Entrance Fee for the independent living unit, applicable at the time of the transfer. Any portion of the Entrance Fee already deposited by You, including interest, will be applied toward the deposit required for the Entrance Fee for the new residence.

B. Change to a Smaller Independent Living Unit After Occupancy

Upon written approval of the Executive Director, You and Life Care Resident may move to an available smaller independent living unit in Brandon Oaks under the following guidelines:

1. You and Life Care Resident shall make a written request to the Executive Director to move to a smaller independent living unit.

2. All costs associated with the move shall be borne by You. You shall also be responsible for the cost of refurbishing the currently occupied independent living unit for re-occupancy, unless You have lived in the independent living unit for ten (10) years or longer. The independent living unit being moved into will be refurbished at Sponsor's expense.

3. After the move, You shall pay the Monthly Service Fee applicable to the new independent living unit.

4. Should You move from a larger independent living unit to a smaller independent living unit, there will be no adjustment or refund to the Entrance Fee.

5. After the independent living unit is ready for occupancy, You will have thirty (30) days to occupy the smaller independent living unit.

C. Change to a Larger Independent Living Unit After Occupancy

Upon written approval of the Executive Director, You and Life Care Resident may move to an available larger independent living unit in Brandon Oaks under the following guidelines:

1. You and Life Care Resident shall make a written request for a larger independent living unit to the Executive Director.

2. All costs associated with the move shall be borne by You. You shall also be responsible for the cost of refurbishing the currently occupied independent living unit for re-occupancy, unless You have lived in the independent living unit for ten (10) or longer years. The independent living unit being moved into will be refurbished at Sponsor's expense.

3. Should You move from a smaller independent living unit to a larger independent living unit, You will pay an additional Entrance Fee in an amount equal to the difference between the Entrance Fee previously paid and the current Entrance Fee for the larger independent living unit. The Entrance Fee originally paid by You shall be applied to the Entrance Fee applicable at the time of transfer to the larger independent living unit. Upon termination of this Agreement, either by death or withdrawal, any refund due shall be calculated based upon the Entrance Fee for the independent living unit occupied at the time of termination.

4. After the move, You shall pay the Monthly Service Fee applicable to the new residence.

5. After the independent living unit is ready for occupancy, You will have thirty (30) days to occupy the larger independent living unit.

XVIII. FINANCIAL AID

A. Status of Sponsor. Sponsor is qualified as tax exempt under Section 501(c)(3) of the Internal Revenue Code as a non-taxable corporation organized under the laws of the Commonwealth of Virginia for the purpose of operating Brandon Oaks as a continuing care retirement community.

B. Charitable Organization. It is and shall be the declared policy of Sponsor to operate as a charitable organization. Sponsor will not terminate this Agreement without just cause as specified in Section XIV.E.

C. Inability of Resident to Pay Fees. If You become unable to pay Your Monthly Service Fee and other fees due and payable to Brandon Oaks under this agreement, subject to the conditions set forth in this Part XVIII, Sponsor will not terminate this Agreement solely on the basis of Your financial inability to pay the total Monthly Service Fee. Sponsor may in its sole discretion, based upon sound business judgment, grant deferment of all or some portion of the total Monthly

Service Fee or per diem rates for services in Assisted Living or the BONRC. Such deferred charges, plus interest calculated at Prime plus 1% per annum may be recovered by Sponsor pursuant to Section XIV.G. Provided, however, that You shall not have impaired Your ability to meet Your financial obligations. If You have willfully distributed Your assets or use them in a manner not reasonable to support Your living or healthcare, You will be in breach of the Agreement and will not qualify for any support that could be provided under this Part XVIII of this Agreement. If You become financially unable to pay fees and charges for services provided by the Sponsor due to circumstances beyond Your control, You must make application to the Sponsor for special financial accommodation.

D. Application for Public Benefits. Before You would qualify for financial assistance by Sponsor, You will be required to investigate other sources of financial aid. Sponsor will assist You in seeking other benefits for which You may be eligible, including but not limited to Social Security, Aid to the Blind, veterans' pensions, Old Age Assistance, and SSI/SSP.

E. Increase in Assets; Preservation of Assets; Repayment Instruments. To maintain any assistance arrangement, You must do all of the following: (1) report promptly to Sponsor any material increase in Your assets and their value, whether the increase occurs by way of gift, inheritance, appreciation in value, or otherwise; (2) refrain from transferring any assets for less than their fair market value; (3) make arrangements, at Sponsor's request, for the preservation and management of Your property by others, including conservators and trustees; (4) execute any instruments (including but not limited to promissory notes, assignments, and security agreements) that Sponsor deems necessary to evidence or secure its claim for repayment of any sums due under this Section XVIII; and (5) agree to move to a smaller independent living unit if requested to do so by Sponsor.

F. Repayment to Sponsor. You agree that the value of any subsidy or financial assistance that You receive under this Section XVIII shall be deemed a loan to You by Sponsor, shall be a first lien against Your estate, and shall be deducted from any refund that Sponsor may owe You or Your estate under this Agreement. If Your financial situation improves while You are at Brandon Oaks, Your subsidy may be reduced or eliminated, as determined by Sponsor in its sole discretion. If Your financial situation improves to the extent that You are able to repay all or part of the value of the subsidy, You will be required to make such repayment at a rate and on terms established by Sponsor, in its sole discretion.

XIX. RIGHT OF ENTRY

You agree to give to duly authorized employees of Sponsor the right of entry into Your Living Accommodation at all reasonable times to provide services in accordance with the provisions of this Agreement, for inspection or maintenance purposes and at any time for emergency purposes.

You also agree that Your independent living unit may be shown to a prospective resident during normal daytime hours and after notice of termination of this Agreement has been given or You have been required to vacate Your independent living unit in accordance with the provisions of this Agreement.

XX. LOSS OF PROPERTY

You agree that all Your personal property in, on or about Brandon Oaks is at Your sole risk at all times unless the care and control of said property is specifically accepted in writing by Sponsor, and then for lack of ordinary care. Brandon Oaks shall not be liable or responsible for any loss or damage to Your personal property caused by fire, flood, other casualty, leaking of water, bursting of pipes, theft, or any other cause beyond the negligent act or omission of the Sponsor or any officer, agent or employee of the Sponsor acting within the scope of his or her employment. It is Your responsibility to obtain and maintain, at Your own expense, renter's insurance; insuring against Your property damage or loss and personal liability to others. Upon Sponsor's request, You must provide evidence of insurance coverage.

XXI. INDEBTEDNESS OF RESIDENT

Sponsor is not liable or responsible for any expense, debt or obligation of any kind incurred by You on Your own account.

XXII. POWER OF ATTORNEY

You shall execute and maintain in effect a general Power of Attorney valid under Virginia law. This Power of Attorney will designate as Your attorney-in-fact a bank, lawyer or other responsible person or persons to act for You as fully and completely as You could act if acting personally and will be otherwise satisfactory to Sponsor. You shall deliver to Sponsor a fully executed copy of this Power of Attorney prior to occupancy of Your independent living unit.

XXIII. ARBITRATION

Any controversy arising under, out of, in connection with, or relating to this Agreement and any addendum thereto will be determined and settled by arbitration in accordance with Virginia law. Any award rendered will be final and binding on each and all of the parties and their personal representatives; judgment may be entered on any such award in any court having jurisdiction.

XXIV. BINDING EFFECT

This Agreement supersedes all prior discussions, negotiations, and agreements between You and the Sponsor regarding Your residency and constitutes the entire agreement between the parties. The covenants and conditions contained in this Agreement will bind and inure to the benefit of Sponsor and You and their respective heirs, distributees, executors, administrators, committees and successors. The provisions of this Agreement also specifically benefit any mortgagee or other lender of the Sponsor.

XXV. RESIDENTS' COUNCIL

The residents of Brandon Oaks may elect a Residents' Council from among themselves in such manner as they see fit, and Sponsor agrees to meet and consult regularly with the Residents' Council on matters directly affecting the well-being of the residents. The Residents' Council serves in an advisory role.

XXVI. MOTORIZED CARTS

Residents who utilize a motorized cart must comply with the policies of Brandon Oaks pertaining to such devices.

XXVII. PRIVATE DUTY/HOME HEALTH

Residents who utilize private duty aides or home health agency or other outside personnel must comply with all of the policies of Brandon Oaks pertaining to such aides and personnel.

XXVIII. PETS

Pets are welcome at Brandon Oaks provided that You abide by our Pet Policy. A copy of the Pet Policy will be provided to You upon admission. Repeated violations of our Pet Policy will result in You being required to arrange for alternative arrangements for Your pet off campus.

XXIX. DISCLOSURE STATEMENT

You acknowledge receipt of a Disclosure Statement for Brandon Oaks, in accordance with Section 38.2-4900 et. seq. of the Code of Virginia.

XXX. MISCELLANEOUS

A. This Agreement constitutes the entire contract between the parties and no waiver or modification of any of its terms and conditions will be valid unless reduced to writing and attached to this Agreement and signed by all parties.

B. If any provision or clause of this Agreement is determined by a judicial or administrative tribunal to be invalid or unenforceable, the remaining portions of this Agreement shall be unaffected and will remain in full force.

C. The parties further agree that the laws of the Commonwealth of Virginia shall govern all of their rights and duties under this Agreement including without limitation the validity of this Agreement, the capacity of the parties thereto, the form of the Agreement, the interpretation of its language and any questions concerning its performance and discharge.

D. Any notice required to be given to Sponsor under this Agreement must be in writing and mailed or delivered to:

Executive Director
BRANDON OAKS
3804 Brandon Ave. SW
Roanoke, VA 24018

E. Any notice required to be given to You prior to occupancy shall be in writing and mailed first-class mail to Your last known address.

F. Sponsor reserves to itself and its directors, employees and agents the absolute unilateral right to manage Brandon Oaks. Sponsor reserves the right to accept or reject any person for residency, and to enter into agreements with residents on terms that are different than those contained in this Agreement. Residents do not have the right to determine admission, terms of admission or termination for any other person.

IN WITNESS HEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT AND YOU ACKNOWLEDGE RECEIPT OF A COPY HEREOF AND THAT YOU HAVE READ THIS AGREEMENT.

Dated: _______________ ________________________________
Resident

Dated: _______________ ________________________________
Resident

Dated: _______________ BRANDON OAKS

By: ___________________________
Authorized Agent

Title: ___________________________

APPENDIX B

DEPOSIT AND ESCROW AGREEMENT

DEPOSIT AND ESCROW AGREEMENT BETWEEN
VIRGINIA LUTHERAN HOMES, INC.
AND
ATLANTIC UNION BANK

This deposit and escrow agreement ("Agreement") made as of this 14th day of August 2019 by and between **VIRGINIA LUTHERAN HOMES, INC.** (Sponsor), a Virginia not-for-profit corporation and **ATLANTIC UNION BANK** (the Depository).

RECITALS

Sponsor is marketing a continuing care retirement community know as Brandon Oaks, Roanoke, Virginia ("CCRC"). As part of such marketing, it is intended that deposits from prospective residents will be collected by Sponsor. Such deposits shall be escrowed in accordance with Section 38.2-4904.1 of the Code of Virginia (the "Statute"). In addition deposits received after the issuance of a certificate of registration of CCRC or in connection with the execution of a Residency and Care Agreement shall also be escrowed under this Agreement.

The Depository is willing to act as escrow agent in accordance with the terms of the Statue in effect as of the date of this Agreement and to provisions of the Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

(1) Deposits from prospective residents (the "Deposits") shall be deposited by Sponsor with the Depository as they are received. Depository shall maintain, in the regular course of business, sufficient records to identify the Deposit for each such prospective Resident.
(2) The Depository shall retain the Deposits in special accounts; each designated "Brandon Oaks CCRC Deposit Escrow Account- (Name of prospective resident)" (the Escrow Accounts"), subject to the terms and conditions of this Agreement.
(3) At Such time as Sponsor has met the qualifications of subsection C of the Statue with respect to any given Escrow Account, Sponsor shall notify Depository in writing, attaching a copy of evidence of compliance with subsection C of the Statute, and Depository shall thereafter permit any person designated in writing by Sponsor to draw against the Deposits in the relevant Escrow Account up to the full amount deposited by the prospective resident in question.
(4) All Deposits shall be returned to the prospective residents entitled thereto if (a) the Deposits have not been released within three years after placement in escrow unless specifically approved by the Virginia State Corporation Commission (the "Commission"), or within such longer period as determined appropriate by the Commission in writing. (b) The prospective resident dies before occupying a unit, or (c) upon recession of the prospective residents contract pursuant to provisions in the contract or in the Statue. However, Deposits subject to release under item (a) of this subsection or under Paragraph (3) above may be held in escrow for an additional period at the mutual consent of Sponsor and the prospective resident. However, the prospective resident may consent to such additional period only after his deposit has been held in escrow for at least two years.
(5) Each Escrow Account shall be maintained by Depository as separate money market investment account at Depository's standard interest rate. All interest earned shall be credited to the Escrow Account involved subject to withdrawal as provided in Paragraphs (3) and (4) above.

Upon occupancy at CCRC, each prospective resident shall receive credit for net earnings on escrowed funds toward the final payment due on the entry fee.

(6) In addition to its normal responsibilities, Depository shall perform in accordance with the terms of this Agreement. Depository shall not be bound in any way by any agreement between Sponsor and any other party. Depository shall be entitled to seek judicial relief in accordance with the terms of this Agreement if necessary and recover its attorney fees hereunder in the event of a dispute. Sponsor hereby agrees to act in accordance with the terms of this Agreement and Depository may act in reliance on instructions and documentation presented by Sponsor.

(7) Each party may terminate this Agreement upon thirty (30) days' notice to the other. Depository may unilaterally terminate this Agreement upon (30) days written notice to Sponsor. Upon termination of this Agreement, Depository shall immediately transfer the funds in the Escrow Accounts to the replacement depository with copies of the records maintained by Depository pursuant to Paragraph (1) along with any other information related to the Escrow Accounts reasonably requested by Sponsor or the replacement depository. If not terminated pursuant to Paragraph (4) or the foregoing this Agreement shall terminate when all monies have been disbursed from all Escrow Accounts.

(8) This Agreement may be amended in writing by the parities hereto. The parties acknowledge that such an amendment may be necessitated by a change in the Statue or other regulation governing continuing care retirement facilities.

(9) Wherever the term "prospective resident" appears it shall also include his or her personal legal representative.

(10)This agreement shall be constued in accordance with the laws of the Commonwealth of Virginia. If any provision herein is declared to be invalid, it shall not affect the validity of any provision herein.

Remainder of page blank- Signature page to follow

Atlantic Union Bank

Attest

By

Printed Name

Printed Name

Title

Title

Date

Date

Virginia Lutheran Homes, Inc.

Attest

By

Jennifer Hickln

Printed Name

MICHAEL R. BIRD

Printed Name

Controller

Title

CFO

Title

8/14/19

Date

8/14/19

Date

APPENDIX C

SCHEDULE OF FEES – NEW 2024 SCHEDULE

BRANDON OAKS
ENTRANCE FEES / MONTHLY FEES
Effective: 1/1/2024

Residence	# of units	Sq. Ft. (Approx.)	Traditional		50% Refundable		90% Refundable		365 Traditional		365 50% Refundable		365 90% Refundable		Monthly Fees		Required Income	
			Single	Double	Single	Double	Single	Double	Single	Double	Single	Double	Single	Double	Single	Double	Single	Double
Second Person Fees				$42,000		$54,000		$67,000	$ (25,000)	$ (45,000)	$ (25,000)	$ (45,000)	$ (25,000)	$ (45,000)		$1,950		
Studio A	8	510	$104,000	$146,000	$177,500	$231,500	$237,000	$304,000	$79,000	$101,000	$152,500	$186,500	$212,000	$259,000	$3,143	$5,093	$5,240	$7,740
Studio B	1	590	$148,200	$190,200	$199,500	$253,500	$281,000	$348,000	$123,200	$145,200	$174,500	$208,500	$256,000	$303,000	$3,422	$5,372	$5,704	$8,204
1 Bedroom A	22	675	$159,000	$201,000	$217,000	$271,000	$301,900	$368,900	$134,000	$156,000	$192,000	$226,000	$276,900	$323,900	$3,925	$5,875	$6,543	$9,043
1 Bedroom B	23	755	$177,700	$219,700	$243,000	$297,000	$337,200	$404,200	$152,700	$174,700	$218,000	$252,000	$312,200	$359,200	$4,158	$6,108	$6,931	$9,431
1 Bedroom/Den	17	766	$182,300	$224,300	$248,700	$302,700	$345,700	$412,700	$157,300	$179,300	$223,700	$257,700	$320,700	$367,700	$4,487	$6,437	$7,480	$9,980
2 Bedroom	33	1010	$230,000	$272,000	$317,200	$371,200	$442,700	$509,700	$205,000	$227,000	$292,200	$326,200	$417,700	$464,700	$5,229	$7,179	$8,717	$11,217
Deluxe A or B	7	1185\1265	$252,000	$294,000	$353,900	$407,900	$485,900	$552,900	$227,000	$249,000	$328,900	$362,900	$460,900	$507,900	$6,101	$8,051	$10,170	$12,670
Cottage (Small)	1	1200	$252,000	$294,000	$353,900	$407,900	$485,900	$552,900	$227,000	$249,000	$328,900	$362,900	$460,900	$507,900	$6,101	$8,051	$10,170	$12,670
Deluxe D	2	1356	$288,800	$330,800	$430,500	$484,500	$578,600	$645,600	$263,800	$285,800	$405,500	$439,500	$553,600	$600,600	$6,453	$8,403	$10,757	$13,257
2 Bedroom Combo A	4	1350	$302,600	$344,600	$442,600	$496,600	$597,900	$664,900	$277,600	$299,600	$417,600	$451,600	$572,900	$619,900	$6,231	$8,181	$10,386	$12,886
2 Bedroom Combo B	2	1510	$318,400	$360,400	$468,400	$522,400	$616,400	$683,400	$293,400	$315,400	$443,400	$477,400	$591,400	$638,400	$6,324	$8,274	$10,542	$13,042
2 Bedroom Combo D	10	1533	$330,800	$372,800	$491,400	$545,400	$625,300	$692,300	$305,800	$327,800	$466,400	$500,400	$600,300	$647,300	$6,393	$8,343	$10,657	$13,157
Village Homes (1500)	2	1500\1680	$300,200	$342,200	$443,900	$497,900	$563,700	$630,700	$275,200	$297,200	$418,900	$452,900	$538,700	$585,700	$6,207	$8,157	$10,347	$12,847
Village Homes (1980)	10	1800\1980	$360,000	$402,000	$532,000	$586,000	$648,500	$715,500	$335,000	$357,000	$507,000	$541,000	$623,500	$670,500	$6,541	$8,491	$10,904	$13,404
Cottage (Large) / Loblolly	2	1520	$360,000	$402,000	$532,000	$586,000	$648,500	$715,500	$335,000	$357,000	$507,000	$541,000	$623,500	$670,500	$6,541	$8,491	$10,904	$13,404
Dogwoods Second Person Fees				$42,000		$54,000		$67,000										
1 Bedroom, 1.5 Bath (A)	3	1024	$271,300	$313,300	$379,500	$433,500	$518,500	$585,500	$246,300	$268,300	$354,500	$388,500	$493,500	$540,500	$5,594	$7,544	$9,325	$11,825
2 Bedroom, 2 Bath (1269) (B)	6	1269	$291,000	$333,000	$429,700	$483,700	$584,200	$651,200	$266,000	$288,000	$404,700	$438,700	$559,200	$606,200	$6,020	$7,970	$10,035	$12,535
2 Bedroom, 2 Bath (1343) (B1)	6	1343	$302,500	$344,500	$442,600	$496,600	$597,900	$664,900	$277,500	$299,500	$417,600	$451,600	$572,900	$619,900	$6,231	$8,181	$10,386	$12,886
2 Bedroom w/Den, 2 Bath (C)	3	1477	$318,300	$360,300	$468,400	$522,400	$621,300	$688,300	$293,300	$315,300	$443,400	$477,400	$596,300	$643,300	$6,324	$8,274	$10,542	$13,042
2 Bedroom w/Den, 2 Bath (end unit) (C1)	6	1586	$337,900	$379,900	$497,200	$551,200	$630,200	$697,200	$312,900	$334,900	$472,200	$506,200	$605,200	$652,200	$6,490	$8,440	$10,818	$13,318
Pine Crest Second Person Fees				$42,000		$54,000		$67,000										
2 Bedroom, 2 Bath (1497/1531)	4	1500	$319,200	$361,200	$461,900	$515,900	$644,000	$711,000	$294,200	$316,200	$436,900	$470,900	$619,000	$666,000	$6,032	$7,982	$10,056	$12,556
2 Bedroom, 2 Bath (1544/1566)	4	1550	$331,700	$373,700	$481,200	$535,200	$665,100	$732,100	$306,700	$328,700	$456,200	$490,200	$640,100	$687,100	$6,355	$8,305	$10,594	$13,094
2 Bedroom w/Den, 2 Bath (1730)	4	1730	$368,700	$410,700	$531,900	$585,900	$732,600	$799,600	$343,700	$365,700	$506,900	$540,900	$707,600	$754,600	$6,696	$8,646	$11,162	$13,662
Pine Ridge Second Person Fees				$42,000		$54,000		$67,000										
2 Bedroom, 2 Bath (1544/1566)	2	1628	$332,100	$374,100	$476,400	$530,400	$665,200	$732,200	$307,100	$329,100	$451,400	$485,400	$640,200	$687,200	$6,372	$8,322	$10,622	$13,122
2 Bedroom w/Den, 2 Bath (1730)	10	1717	$368,700	$410,700	$531,900	$585,900	$732,600	$799,600	$343,700	$365,700	$506,900	$540,900	$707,600	$754,600	$6,696	$8,646	$11,162	$13,662

APPENDIX D

CERTIFIED FINANCIAL STATEMENTS / 2023 AND 2022

Virginia Lutheran HOMES, Inc.
Trusted Communities for Care & Senior Living

VIRGINIA LUTHERAN HOMES, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT

December 31, 2023 and 2022

BROWN EDWARDS
certified public accountants

Virginia Lutheran Homes, Inc. and Affiliates

Contents

BROWNEDWARDS
certified public accountants

Independent Auditor's Report

Board of Trustees and Management
Virginia Lutheran Homes, Inc. and Affiliates
Roanoke, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Virginia Lutheran Homes, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022 and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
April 3, 2024

Financial Statements

Virginia Lutheran Homes, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,272,130	$ 6,827,294
Current portion of assets whose use is limited (Notes 5 and 7)	4,191	5,664
Accounts receivable, net:		
Residents	544,589	383,556
Third party and other	560,723	505,195
Inventories	40,350	33,333
Prepaid expenses	285,657	307,868
Accrued interest receivable	41,256	31,808
Other current assets	41,715	34,333
Total current assets	8,790,611	8,129,051
ASSETS WHOSE USE IS LIMITED (Notes 5 and 7)		
Board designated reserves	12,800,854	11,157,432
Debt service reserves	148,901	148,901
HUD replacement reserves and residual receipts	24,361	35,897
Assets with donor restrictions	1,345,104	1,372,932
Total assets whose use is limited, net of current portion	14,319,220	12,715,162
PROPERTY AND EQUIPMENT, net (Note 9)	55,149,214	57,024,210
OTHER ASSETS		
Deposits	72,142	95,072
Other	182,271	312,268
Annuities receivable (Note 7)	5,805	5,994
Notes receivable	-	1,967
Interest rate swap asset (Notes 8 and 11)	5,635,885	6,267,762
Right-of-use asset – financing lease (Note 14)	9,713	118,156
Total other assets	5,905,816	6,801,219
Total assets	$ 84,164,861	$ 84,669,642

Virginia Lutheran Homes, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 10)	$ 3,397,400	$ 1,801,068
Current portion of refundable advance fees	214,850	985,520
Accounts payable	550,310	561,602
Accrued interest payable	99,881	98,746
Accrued wages and vacation payable	720,212	620,767
Current portion of financing lease liability (Note 14)	2,595	56,183
Other current liabilities	168,298	6,977
Total current liabilities	5,153,546	4,130,863
LONG-TERM DEBT (Note 10)		
Long-term debt, net of current portion	47,538,923	50,936,322
Unamortized debt issuance costs and bond discounts	(907,768)	(943,237)
Total long-term debt, net	46,631,155	49,993,085
LONG-TERM LIABILITIES		
Deferred revenue from advance fees	25,712,387	24,699,509
Refundable advance fees, net of current portion	12,738,609	13,657,438
Other deposits	230,567	193,139
Financing lease liability, net of current amount (Note 14)	7,342	64,207
Total long-term liabilities, net	38,688,905	38,614,293
Total liabilities	90,473,606	92,738,241
NET ASSETS (DEFICIT)		
Net deficit without donor restrictions	(7,677,654)	(9,501,363)
Net assets with donor restrictions	1,368,909	1,432,764
Total net assets	(6,308,745)	(8,068,599)
Total liabilities and net assets	$ 84,164,861	$ 84,669,642

Virginia Lutheran Homes, Inc. and Affiliates

Consolidated Statement of Activities

Year Ended December 31, 2023

	2023		
	Without Donor Restriction	**With Donor Restriction**	**Total**
OPERATING REVENUES			
Residential and health care services, including amortization of deferred revenue from advance fees of $4,222,696 (Note 3)	$ 29,061,439	$ -	$ 29,061,439
Miscellaneous revenue	973,526	-	973,526
Total operating revenues	30,034,965	-	30,034,965
OPERATING EXPENSES			
Nursing	6,299,824	-	6,299,824
Clinical services	544,789	-	544,789
Therapy	866,623	-	866,623
Social service	66,352	-	66,352
Activities and wellness	473,870	-	473,870
Chaplains	138,478	-	138,478
Employee benefits	2,490,403	-	2,490,403
Administrative and general	4,251,749	-	4,251,749
Marketing	691,036	-	691,036
Dietary	3,992,234	-	3,992,234
Plant operation and maintenance	2,706,419	-	2,706,419
Housekeeping	952,749	-	952,749
Interest expense	1,318,117	-	1,318,117
Depreciation	4,669,910	-	4,669,910
Total operating expenses	29,462,553	-	29,462,553
Operating income	572,412	-	572,412
NON-OPERATING ACTIVITIES			
Fundraising and development	(110,236)	-	(110,236)
Contributions, net	(110,661)	212,728	102,067
Investment income (loss) (Note 7)	1,806,314	21,174	1,827,488
Unrealized loss in swap valuation (Note 11)	(631,877)	-	(631,877)
Change in annuity value	(189)	189	-
Net assets released from restrictions (Note 16)	297,946	(297,946)	-
Total non-operating activities	1,251,297	(63,855)	1,187,442
Change in net assets	1,823,709	(63,855)	1,759,854
NET ASSETS			
Beginning	(9,501,363)	1,432,764	(8,068,599)
Ending	$ (7,677,654)	$ 1,368,909	$ (6,308,745)

Virginia Lutheran Homes, Inc. and Affiliates

Consolidated Statement of Activities

Year Ended December 31, 2022

	2022		
	Without Donor Restriction	**With Donor Restriction**	**Total**
OPERATING REVENUES			
Residential and health care services, including amortization of deferred revenue from advance fees of $3,389,849 (Note 3)	$ 23,876,696	$ -	$ 23,876,696
Miscellaneous revenue	887,827	-	887,827
Total operating revenues	24,764,523	-	24,764,523
OPERATING EXPENSES			
Nursing	5,685,597	-	5,685,597
Clinical services	515,758	-	515,758
Therapy	1,140,200	-	1,140,200
Social service	89,771	-	89,771
Activities and wellness	421,673	-	421,673
Chaplains	83,927	-	83,927
Employee benefits	2,609,170	-	2,609,170
Administrative and general	3,928,750	-	3,928,750
Marketing	614,434	-	614,434
Dietary	3,728,004	-	3,728,004
Plant operation and maintenance	2,581,736	-	2,581,736
Housekeeping	920,268	-	920,268
Interest expense	1,165,881	-	1,165,881
Depreciation	3,853,371	-	3,853,371
Total operating expenses	27,338,540	-	27,338,540
Operating loss	(2,574,017)	-	(2,574,017)
NON-OPERATING ACTIVITIES			
Fundraising and development	(104,797)	-	(104,797)
Contributions, net	(106,228)	114,762	8,534
Investment income (loss) (Note 7)	(1,870,428)	9,145	(1,861,283)
Unrealized gain in swap valuation (Note 11)	7,281,205	-	7,281,205
Change in annuity value	(180)	180	-
Net assets released from restrictions (Note 16)	495,916	(495,916)	-
Total non-operating activities	5,695,488	(371,829)	5,323,659
Change in net assets	3,121,471	(371,829)	2,749,642
NET ASSETS			
Beginning	(12,622,834)	1,804,593	(10,818,241)
Ending	$ (9,501,363)	$ 1,432,764	$ (8,068,599)

Virginia Lutheran Homes, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	$ 1,759,854	$ 2,749,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,669,910	3,853,371
Proceeds from advance fees and deposits	5,804,157	6,106,922
Amortization of deferred revenue from advance fees and deposits	(4,222,696)	(3,389,849)
Amortization of debt issuance costs and bond discounts	70,470	71,419
Amortization of right-of-use asset – financing lease	51,878	54,146
Gain on termination of financing lease	(2,265)	-
Realized and unrealized (gain) loss on investments	(1,352,733)	2,118,389
Change in fair value of swap agreement	631,877	(7,281,205)
Change in assets and liabilities:		
Resident accounts receivable	(76,558)	55,433
Third-party and other accounts receivable	(55,528)	1,212,221
Inventories	(7,017)	-
Prepaid expenses	22,211	64,152
Accrued interest receivable	(9,448)	(1,217)
Deposits	22,930	69,913
Annuities receivable	189	180
Other assets	16,675	(39,353)
Notes receivable	1,967	3,150
Accounts payable	(4,206)	43,548
Accrued expenses and other current liabilities	261,901	(4,841)
Other deposits	37,428	(54,913)
Net cash provided by operating activities	7,620,996	5,631,108
INVESTING ACTIVITIES		
Change in assets whose use is limited	(159,317)	(183,689)
Purchase of property and equipment	(2,802,000)	(7,305,728)
Investment in captive	105,940	215,418
Net cash used in investing activities	(2,855,377)	(7,273,999)

Virginia Lutheran Homes, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
FINANCING ACTIVITIES		
Refunds to residents	$ (2,781,699)	$ (2,114,000)
Bond issuance costs	(35,000)	(35,000)
Proceeds from advance fees – 50% and 90% contracts	439,142	1,611,840
Principal payments on long-term debt	(1,801,068)	(1,552,113)
Payments on financing leases	(51,623)	(51,912)
Net cash used in financing activities	(4,230,248)	(2,141,185)
Increase (decrease) in cash, cash equivalents, and restricted cash	535,371	(3,784,076)
CASH AND CASH EQUIVALENTS		
Beginning	7,923,158	11,707,234
Ending	$ 8,458,529	$ 7,923,158
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment in accounts payable at year-end	$ 153,912	$ 160,998
Cash paid for interest	$ 1,246,460	$ 1,065,433
Adoption of FASB ASC 842		
Right-of-use asset – financing lease	$ -	$ 172,302
Lease liability incurred	-	(172,302)
Cash paid to acquire right-of-use asset	$ -	$ -

Note 1 – Organization and Nature of Business

The accompanying financial statements include the accounts of Virginia Lutheran Homes, Inc. and Affiliates: Shenandoah Valley Lutheran Housing, Inc. (T/A Luther Crest); Brandon Point, LLC; and Virginia Lutheran Homes Home Care Inc. (T/A Brandon Oaks at Home), all of which are under common control, and collectively referred to as the Organization. Intercompany transactions and balances have been eliminated in consolidation.

Virginia Lutheran Homes, Inc. (VLH) a tax-exempt corporation based on IRS code 501(c)(3), established under the laws of the Commonwealth of Virginia, manages and operates retirement facilities and a health center.

VLH and its affiliates, summarized below, were organized to provide long-term care at facilities for the elderly throughout Virginia:

Affiliate and Location	Business Activity
Shenandoah Valley Lutheran Housing, Inc. (T.A. Luther Crest) (New Market, VA)	Provide retirement living; a Department of Housing and Urban Development (HUD) subsidized facility consisting of 40 units.

Brandon Point, LLC was formed to own and lease commercial real estate, a portion of which is leased to VLH. Virginia Lutheran Homes Home Care, Inc. was formed to provide home care services.

Note 2 – Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The financial operations of the Organization's long-term care facilities represent a significant portion of the financial operations of the consolidated group. As such, significant accounting policies adopted by the Organization conform to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 954, *Health Care Entities*.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less as cash equivalents.

	2023	2022
Cash and cash equivalents	$ 7,272,130	$ 6,827,294
Restricted cash and cash equivalents, included in assets whose use is limited	1,186,399	1,095,864
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	**$ 8,458,529**	**$ 7,923,158**

Accounts Receivable

Accounts receivable are stated at estimated net realizable amounts due from residents and responsible third-party payors. Management determines net realizable value based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off. The process for estimating the ultimate net realizable value of receivables involves significant assumptions and judgments. In addition, the Organization assesses the current state of its billing functions in order to identify known collection or reimbursement issues to determine the impact, if any, on its estimates. Revisions in price concession estimates are recorded as an adjustment to residential and health care services revenue in the year of the revision. Amounts owed to the Organization are reported net of implicit and explicit price concessions in 2023 and 2022.

Inventories

Inventories consist of maintenance and dietary supplies. Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value.

Assets Whose Use is Limited

Assets whose use is limited include assets held by a trustee under debt agreements, assets designated internally for various purposes, and funds restricted by donors.

These assets consist of annuities receivable; cash and cash equivalents; U.S. government obligations; state and local government obligations; corporate bonds; exchange traded funds; commercial paper; and mutual funds.

Assets whose use is limited that are required for the payment of current liabilities are reported as current assets.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investment in Group Captive

The Organization has coverage for health insurance from the Heritage Group Health Program, a group captive. The Organization owns 7.11% interest in the captive and accounts for it using the cost method. The cost of approximately $(84,983) and $21,000 is recorded in other noncurrent assets in the accompanying consolidated statements of financial position as of December 31, 2023 and 2022, respectively. The negative amount represents the excess of funds returned that are greater than the Organization’s deposits. Total health plan premiums, calculated by a third party, are determined by an actuarial projection which includes a historical review of claims trended forward.

Property and Equipment

Property and equipment is stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The Organization’s capitalization policy is to capitalize any items above $1,000.

Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets as follows:

Land improvements	5 – 20 years
Building and improvements	5 – 40 years
Furniture and equipment	3 – 20 years
Medical equipment	3 – 5 years
Motor vehicles	5 – 10 years

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate and is amortized over the term of the loan. Amortization of debt issuance costs is reported as a component of interest expense. Accumulated amortization was $302,214 and $244,180 at December 31, 2023 and 2022, respectively.

Interest Rate Swaps

The interest rate swap agreements are carried at fair value, estimated using a discounted cash flow method at a rate commensurate with the risk involved. A change in the fair value of the interest rate swap agreements is reported in non-operating gains (losses) in the accompanying consolidated statements of activities. The fair value of the Organization's interest rate swaps is presented in Note 8.

Advance Fees and Deposits

Fees paid by a resident upon entering into a continuing care contract are accounted for under the following three full life care plans:

Traditional plan

If the agreement is terminated within the first 50 months of occupancy, the resident or the resident's estate will be refunded a portion of the adjusted entrance fee equal to the adjusted entrance fee paid (without interest) less 2% for each month from the occupancy date to the date the living unit is available for re occupancy. The refund is also subject to offsets and reductions such as unreimbursed healthcare expenses, unpaid monthly charges, or payment to repair damages to units beyond reasonable wear and tear.

The 90% refundable plan

If at any time after occupancy the agreement is terminated, the resident or the resident's estate will be entitled to reimbursement of 90% of the adjusted entrance fee, without interest. The refund will be made only after VLH has received the adjusted entrance fee from the new resident of the living unit. The refund is subject to the same offsets and reductions as the traditional plan.

The 50% refundable plan

If the agreement is terminated within the first 25 months of occupancy, the resident or the resident's estate will be refunded a portion of the adjusted entrance fee equal to the adjusted entrance fee paid (without interest) less 2% for each month from the date of occupancy. After 25 months has elapsed the resident or resident's estate will be entitled to 50% of the adjusted entrance fee, without interest. The refund is subject to the same offsets and reductions as the traditional plan and the same subsequent entry requirements as the 90% refundable plan.

Refund provisions from the continuing care contracts are recorded as a liability. As of December 31, 2023 and 2022, there were contractually $12,953,459 and $14,642,958, respectively, of advance fees subject to refund provisions, of which $214,850 and $985,520 are considered current liabilities.

Obligation to Provide Future Services

Annually, the Organization calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount to the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities, discounted at 5%, exceeds the liability and deferred revenue from advance fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. No liability has been recorded as of December 31, 2023 and 2022 because the present value of the estimated net costs of future services and use of facilities is less than deferred revenue from advance fees.

Other Deposit Liabilities

Other deposit liabilities consist of waiting list deposits and 10% deposits of the advance fee to reserve a unit together with priority deposits for future available units. The 10% deposit is placed in an escrow account that, together with interest earnings thereon, are credited to the final advance fee balance due.

Deferred Revenue from Advance Fees

Deferred revenue from advance fees represents the fees received at the time a resident is admitted to the community. Nonrefundable advance fees are amortized over the estimated life expectancy of the individual resident, or couple, and adjusted annually depending on the type of contract. Upon the death of a sole surviving resident, any remaining unamortized portion of the nonrefundable advance fee is recognized as operating revenue.

Statements of Activities

The consolidated statements of activities include change in net assets which the Organization considers to be its performance indicator.

Net Assets

The Organization's net assets are grouped into the following classes, as applicable:

Net assets without donor restrictions are net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The Organization has no contributions receivable at December 31, 2023 and 2022.

The Organization is the beneficiary of funds established by gift annuity under which individuals give cash in return for monthly payments for the remainder of their lives. The excess of funds given plus income earned on the investment of the funds, less monthly payments, becomes a gift to the Organization when the donor is deceased. At December 31, 2023 and 2022, the present value of future benefits expected to be received was estimated to be $10,911 and $13,566, respectively.

Income Tax Status

Virginia Lutheran Homes, Inc.; Shenandoah Valley Lutheran Housing, Inc.; and Virginia Lutheran Homes Home Care Inc. are exempt from federal and state income taxes under Section 501(c)(3) of the *Internal Revenue Code* and the tax statutes of the Commonwealth of Virginia. Brandon Point, LLC is a disregarded entity for tax purposes and is included in Virginia Lutheran Homes, Inc.'s filings. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Organization has determined it does not have any material unrecognized tax benefits or obligations as of December 31, 2023 and 2022.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $383,837 and $358,715 for December 31, 2023 and 2022, respectively.

Methods Used for Allocation of Expenses Among Programs and Supporting Services

The Organization has presented a schedule of expenses by both function and nature in Note 15. The Organization allocates expenses on a functional basis among its various programs and supporting services. The schedule of expenses in Note 15 reports certain categories of expenses that are attributable to one or more program or supporting services of the retirement community. These expenses include food service, utilities, and facilities service. Facilities service and utilities are allocated based on square footage. Food service is allocated based on occupancy.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash deposit accounts, money market accounts, and accounts receivable. The Organization places its cash deposit and money market accounts with high credit quality financial institutions. The Organization's bank accounts, at times, may exceed federally depository insurance (FDIC) limits. Management believes the credit risk associated with these deposits is minimal.

The Organization also has accounts receivable for which collectability is dependent upon the performance of Medicare and Virginia Medicaid programs. Management does not believe there are significant credit risks associated with these programs.

Estimates

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

Adoption of FASB ASC 326

Effective January 1, 2023, the Agency adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Organization that are subject to ASU 2016-13 include resident and third-party accounts receivable and accrued interest receivable. The adoption of this ASU did not have a material impact on the Organization's consolidated financial statements or how implicit price concessions are determined.

Note 3 – Resident and Health Care Services Revenue

Three major types of revenue are recognized in resident and health care services revenue as follows: health care center revenue, home health revenue, and residential/assisted living revenue.

The Organization enters into life care contracts with residents at Brandon Oaks, its Roanoke community, to provide services to the residents for their remaining lives. In consideration for future services, the residents pay an entrance fee based on the type of unit occupied and the plan selected. A 4% administrative charge is deducted from the entrance fee to arrive at an "adjusted entrance fee." The Organization offers the following three full life care plans: traditional plan, 90% refundable plan, and 50% refundable plan. In addition to the adjusted entrance fee, residents pay periodic fees based on actual costs of operations. There are no statutory or contractual requirements to retain adjusted entrance fees in escrow accounts once the resident is admitted.

Under the Organization's life care services and residency agreements, the Organization provides services to residents for a stated daily or monthly fee, which varies by each resident's contract. The monthly fee can be adjusted from time to time by the Organization according to changes in costs. The Organization recognizes revenue for housing services under residency agreements for independent living and assisted living services in accordance with the provisions of both ASC Topic 840, *Leases* and ASC Topic 842 depending on the effective dates pre-January 1, 2019 (ASC 840) and post-January 1, 2019 (ASC 842) of the resident's life care services and residency agreements. The Organization recognizes revenue for assisted living care, skilled nursing residency and inpatient therapy services, ancillary services, and personalized health services in accordance with the provisions of ASC 606. The Organization has determined that the senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

Through its ancillary services programs, the Organization enters into contracts to provide home health and outpatient therapy services. The Organization recognizes revenue for home health and outpatient therapy services in accordance with the provisions of ASC 606. Each service provided under the contract is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized as services are provided.

The Organization receives revenue for services under various third-party payor programs which include 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 Organization estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

The Organization has elected a practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component due to its expectation that the period between the time the service is provided and the time payment is received will be one year or less. Additionally, the Organization has applied the practical expedient provided by FASB ASC 340-40-2-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Under ASC 606, the Organization recognizes revenue in the accompanying consolidated statements of activities and accounts receivable on the accompanying consolidated statements of financial position only when services have been provided. Since the Organization has performed its obligation under the contract, it has unconditional rights to the consideration on contract assets and therefore classifies those amounts as receivables. Thus, management has determined that they do not have any amounts that should be reflected separately as contract assets.

The Organization disaggregates revenue from contracts with customers by payor and service type. The Organization notes that disaggregation of revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Resident and health care services revenue is presented at estimated net realizable amounts. The Organization has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Medicare program reimburses the Organization's health center for services under its Prospective Payment System. Under this system, inpatient services rendered to Medicare program beneficiaries are paid at per diem amounts established for the Resource Utilization Groups (RUG) categories. Each patient's RUG category determines the per diem amount received by the Organization.

The Organization is reimbursed under the prospective payment system called the Patient Driven Payment Model (PDPM), which bases payment on resident characteristics. PDPM payment depends on the summation of case-mix adjusted components (physical therapy, occupational therapy, speech language pathology, nursing, and non-therapy ancillaries) each with its own case-mix groups and application of a variable per day adjustment schedule. Part-B rehabilitation services are billed and paid based on billable minutes using timed based (or constant attendance) codes.

The Medicare program reimburses the Organization's home health agency on a Prospective Payment System (PPS). Under PPS, reimbursement is made for an episodic period of care, up to sixty (60) days and payment is based on the severity of a patient's condition, service needs, and certain other factors, including the geographical location of the patient. Revenue is recognized by the Organization ratably over the episodic period during which services are provided. The episode reimbursement is subject to adjustment if the patient is discharged from care and readmitted during the 60-day period or if services rendered are extensive or minimal in amount.

Medicaid

The Medicaid program reimburses the Organization's health center for services rendered to Medicaid beneficiaries based upon a prospective per diem rate established by the Medicaid Program. The Virginia Medicaid program utilizes a "price-based" payment methodology. This prospective payment system utilizes specifically defined geographical peer groups and bed sized modifications. In addition, the price-based payment utilizes RUG-IV 48 grouper categories to calculate a "per resident per diem payment".

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties, and exclusion from participation in the Medicare and Medicaid programs.

The composition of net resident and health care services revenue by payor and service type for the years ended December 31 are as follows:

	2023		
	Resident Services	Health Care Services	Total
Medicare	$ 1,205,906	$ 3,146,438	$ 4,352,344
Medicaid	730,646	-	730,646
Private	18,926,709	4,684,263	23,610,972
Commercial and other	60,179	307,298	367,477
	$ 20,923,440	**$ 8,137,999**	**$ 29,061,439**

	2022		
	Resident Services	Health Care Services	Total
Medicare	$ 953,365	$ 2,392,476	$ 3,345,841
Medicaid	503,587	-	503,587
Private	16,241,716	3,395,894	19,637,610
Commercial and other	37,306	352,352	389,658
	$ 17,735,974	**$ 6,140,722**	**$ 23,876,696**

Note 4 – Liquidity and Availability

Financial assets available for general expenditure within one year of the consolidated statements of financial position date, consist of the following at December 31:

	2023	2022
Cash and cash equivalent	$ 7,272,130	$ 6,827,294
Accounts receivable, net	1,105,312	888,751
Accrued interest receivable	41,256	31,808
Available assets whose use is limited	12,825,215	11,193,329
	$ 21,243,913	**$ 18,941,182**

The Organization has certain board designated reserves and HUD reserves which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Organization has other assets limited to use for donor-restricted purposes and debt service that are not available for general expenditure within the next year and are not reflected in the amounts above.

Note 5 – Assets Whose Use is Limited

A summary of assets whose use is limited follows:

	2023	2022
Board designated reserves:		
Brandon Oaks endowment fund	$ 55,647	$ (21,705)
Chaplaincy endowment	10,494	9,224
Brandon Oaks replacement reserve	1,631,423	1,409,448
Operating reserves	11,103,290	9,760,465
	12,800,854	11,157,432
Debt services reserves:		
Bond fund debt service reserve	113,900	113,900
Bond fund interest reserve	4,191	5,664
Bond fund principal reserve	35,001	35,001
	153,092	154,565
Current portion	(4,191)	(5,664)
	148,901	148,901
HUD replacement and residual receipt reserves:		
Luther Crest HUD replacement reserve	14,522	26,059
Luther Crest HUD residual receipts reserve	9,839	9,838
	24,361	35,897

A summary of assets whose use is limited follows: (Continued)

	2023	2022
Assets restricted by donors:		
Care funds	$ 10,272	$ 4,411
Endowment interest	364,448	353,817
Memory Support Center	9,316	191,795
Chaplaincy endowment	360,454	308,291
Other	193,582	121,429
Brandon Oaks resident endowment	261,303	261,303
Luther Crest endowment	26,023	23,005
VLH endowment	114,601	101,309
Restricted annuities	5,105	7,572
	1,345,104	1,372,932
	$ 14,319,220	**$ 12,715,162**

Note 6 – Endowments

The Organization's endowment consists of individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of Virginia Lutheran Homes has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization considers permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not considered permanently restricted is considered temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. Both permanently and temporarily restricted net assets are presented as net assets with donor restrictions.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization.
7. The investment policies of the Organization.

Net assets composition by type of endowment fund as of December 31:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 1,296,243	$ 1,296,243
Board-designated endowment funds	8,297,023	-	8,297,023
	$ 8,297,023	**$ 1,296,243**	**$ 9,593,266**

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 1,321,604	$ 1,321,604
Board-designated endowment funds	7,155,058	-	7,155,058
	$ 7,155,058	**$ 1,321,604**	**$ 8,476,662**

Changes in endowment net assets for the years ended December 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 7,155,058	$ 1,321,604	$ 8,476,662
Investment return:			
Investment income	167,142	43,547	210,689
Net appreciation (realized and unrealized)	989,001	-	989,001
Contributions	2,132	212,728	214,860
Appropriation of endowment assets for expenditures	-	(297,946)	(297,946)
Transfers	(16,310)	16,310	-
Endowment net assets, end of year	**$ 8,297,023**	**$ 1,296,243**	**$ 9,593,266**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 8,360,683	$ 1,756,714	$ 10,117,397
Investment return:			
Investment income	147,451	(37,906)	109,545
Net appreciation (realized and unrealized)	(1,369,529)	-	(1,369,529)
Contributions	403	114,762	115,165
Appropriation of endowment assets for expenditures	-	(495,916)	(495,916)
Transfers	16,050	(16,050)	-
Endowment net assets, end of year	**$ 7,155,058**	**$ 1,321,604**	**$ 8,476,662**

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Trustees. There were no such material deficiencies as of December 31, 2023 and 2022.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce conservative growth with moderate liquidity while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide a rate of return that compares favorably to standard benchmarking market indices. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objective

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current year interest and dividends. The Organization targets a diversified asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year all interest and dividend income to operations. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Organization's objective to maintain 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.

Note 7 – Investments

Investments consist of the following:

	2023	2022
Cash and cash equivalents	$ 1,186,399	$ 1,095,864
Corporate bonds	4,554,448	4,235,450
State and local government obligations	199,306	266,424
U.S. government obligations	515,248	459,397
Exchange traded funds	7,685,451	6,465,657
Commercial paper	177,453	190,462
Annuities receivable	10,911	13,566
	$ 14,329,216	**$ 12,726,820**

Investments are presented on the consolidated statements of financial position as follows:

	2023	2022
Current portion of assets whose use is limited	$ 4,191	$ 5,664
Assets whose use is limited	14,319,220	12,715,162
Annuities receivable without donor restrictions	5,805	5,994
	$ 14,329,216	**$ 12,726,820**

Investment income (loss), including income generated from assets whose use is limited, consists of the following:

	2023	2022
Interest income	$ 474,755	$ 257,106
Realized and unrealized gain (loss) on investments	1,352,733	(2,118,389)
	$ 1,827,488	**$ (1,861,283)**

Note 8 – Fair Value Measurements

The Organization has adopted accounting standards which establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical asset or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

Corporate, Government, and Municipal Bonds

Valued at closing price reported on the active market on which the individual securities are traded.

Commercial Paper

Valued using broker quotes that utilize observable market inputs.

Mutual Funds and Exchange Traded Funds

Valued at the net asset value of shares held at year end.

Annuities Receivable

Valued at net present value of future cash flows expected to be paid under each obligation based on life expectancies of the donees.

Interest Rate Swap Agreements

Valued on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets.

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at recurring fair value as of December 31:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Corporate bonds	$ -	$ 4,554,448	$ -	$ 4,554,448
Government bonds	-	515,248	-	515,248
Municipal bonds	-	199,306	-	199,306
Commercial paper	-	177,453	-	177,453
Exchange traded funds	7,685,451	-	-	7,685,451
Interest rate swap	-	5,635,885	-	5,635,885
	7,685,451	11,082,340	-	18,767,791
Annuities receivable	-	10,911	-	10,911
	$ 7,685,451	**$ 11,093,251**	**$ -**	**$ 18,778,702**

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Corporate bonds	$ -	$ 4,235,450	$ -	$ 4,235,450
Government bonds	-	459,397	-	459,397
Municipal bonds	-	266,424	-	266,424
Commercial paper	-	190,462	-	190,462
Exchange traded funds	6,465,657	-	-	6,465,657
Interest rate swap	-	6,267,762	-	6,267,762
	6,465,657	11,419,495	-	17,885,152
Annuities receivable	-	13,566	-	13,566
	$ 6,465,657	**$ 11,433,061**	**$ -**	**$ 17,898,718**

Note 9 – Property and Equipment

Property and equipment consists of the following at December 31:

	2023	2022
Land	$ 1,512,765	$ 1,512,765
Land improvements	1,650,573	1,336,215
Buildings and improvements	103,142,495	101,316,741
Furniture and equipment	8,551,758	8,170,918
Medical vehicles	462,578	452,051
Motor vehicles	524,365	555,917
Construction in progress	709,804	451,659
	116,554,338	113,796,266
Accumulated depreciation	(61,405,124)	(56,772,056)
	$ 55,149,214	**$ 57,024,210**

Depreciation expense was $4,669,910 and $3,853,371 for 2023 and 2022, respectively.

Note 10 – Long-Term Debt

Long-term debt consists of:

	2023	2022
Tax-exempt bonds payables:		
Economic Development Authority of the City of Roanoke, Virginia (see below)	$ 48,375,062	$ 38,983,542
Industrial Development Authority of Albemarle County, Virginia (see below)	820,000	880,000
Taxable bonds payable:		
Economic Development Authority of the City of Roanoke, Virginia (see below)	-	10,990,443
	49,195,062	50,853,985
Unamortized debt issuance costs and bond discount	(907,768)	(943,237)
Net bonds payable	48,287,294	49,910,748
Note payable, refinanced on December 6, 2019, due in monthly installments of $11,845, plus accrued interest at a fixed rate of 3.45%, due November 2024, however management's intentions are to refinance this note during 2024. Secured by deed of trust on property located in New Market and Roanoke, Virginia.	1,741,261	1,883,405
	50,028,555	51,794,153
Less current portion	(3,397,400)	(1,801,068)
	$ 46,631,155	**$ 49,993,085**

On April 22, 2020, the Economic Development Authority of the City of Roanoke, Virginia (the "EDA") issued the $10,207,332 Taxable Residential Care Facility Revenue Refunding Bond (Virginia Lutheran Homes Brandon Oaks Project) Series 2020 (the "Series 2020 Taxable Bond") for the purpose of, among other things, to advance refund the entirety of the EDA outstanding Residential Care Facility Mortgage Revenue Bonds (Virginia Lutheran Homes Brandon Oaks Project), Series 2013 ("Series 2013 Bonds"). The Series 2020 Taxable Bond was converted to a tax-exempt bond on September 7, 2023 through the EDA with the issuance of Tax-Exempt Residential Care Facility Revenue Refunding Bond (Virginia Lutheran Homes Brandon Oaks Project) Series 2023 (the "Series 2023 Tax-Exempt Bond"). The Series 2023 Tax-Exempt Bond matures on December 1, 2044. Principal and interest are payable monthly and commenced October 1, 2023. The interest rate on the Series 2023 Tax-Exempt Bond is on the adjusted Secured Overnight Financing Rate (SOFR) which is equal to the sum obtained by adding (i) the product of (x) 79% and (y) Adjusted Daily Simple SOFR, plus (ii) 0.80% per annum. The Organization entered into an interest rate swap agreements described in Note 11. The bond is secured by a Deed of Trust on all real estate owned by VLH with the exception of specific properties excluded in this agreement owned by the Organization. The bond is also secured by a security interest in substantially all personal property of the Organization and all funds held by the bond trustee, US Bank National Association ("US Bank").

In November 2019, the EDA issued the $16,950,000 Residential Care Facility Mortgage Revenue Refunding Bonds (Virginia Lutheran Homes Brandon Oaks Project) Series 2019A ("Series 2019A Bonds") to refund the entirety of the Residential Care Facility Mortgage Revenue Refunding Bonds (Virginia Lutheran Homes Brandon Oaks Project) Series 2006 ("Series 2006 Bonds") and Residential Care Facility Mortgage Revenue Refunding Bonds (Virginia Lutheran Homes Brandon Oaks Project) Series 2007 ("Series 2007 Bonds"), refinance taxable Construction Loan and to finance routine capital expenditures at the Organization and other related costs. The EDA transferred the proceeds from the sale of the bonds to the Organization and the Organization delivered to the EDA a note dated November 1, 2019 in the principal amount of $16,950,000. The 2019A Series Bonds mature November 1, 2044 and has a mandatory tender for purchase in full prior to maturity on November 1, 2034. Principal and interest are paid monthly and commencing December 1, 2019. Interest rate on the 2019A bonds is variable based on prevailing market rates and is reset monthly based on 79% of 1-Month LIBOR plus 0.80%. During 2023, the Bond was modified for the cessation of LIBOR and replaced by the SOFR. The Organization entered into an interest rate swap agreement on the Series 2019A Bonds, which is described in Note 11. The bond is secured by a Deed of Trust on all real estate owned by VLH with the exception of specified properties excluded in the agreement owned by the Organization. The bond is also secured by a security interest in substantially all personal property of the Organization and all funds held by the bond trustee, US Bank.

In November 2019, the EDA issued the $11,500,000 Residential Care Facility Mortgage Revenue Refunding Bonds (Virginia Lutheran Homes Brandon Oaks Project) Series 2019B ("Series 2019B Bonds") to finance the construction and equipping of the renovation and expansion of the nursing and rehabilitation center and creating a memory care unit at the Brandon Oaks facility. The EDA transferred the proceeds from the sale of the bonds to the Organization and the Organization delivered to the EDA a note dated November 1, 2019 in the principal amount of $11,500,000. The 2019B Series Bonds mature November 1, 2047 and has a mandatory tender for purchase in full prior to maturity on November 1, 2037. Interest is paid monthly commencing December 1, 2019 and principal payments are paid monthly beginning December 1, 2022. Interest rate on the 2019B Series Bonds is variable based on prevailing market rates and is reset monthly based on 79% of 1-Month LIBOR plus 0.80%. During 2023, the Bond was modified for the cessation of LIBOR and replaced by the SOFR. The Organization entered into an interest rate swap agreement on the Series 2019B Bonds, which is described in Note 11. The bond is secured by a Deed of Trust on all real estate owned by VLH with the exception of specified properties excluded in the agreement owned by the Organization. The bond is also secured by a security interest in substantially all personal property of the Organization and all funds held by the bond trustee, US Bank.

In November 2012, the EDA issued the $21,065,000, Residential Care Facility Mortgage Revenue Refunding Bonds (Virginia Lutheran Homes Brandon Oaks Project) Series 2012 ("Series 2012 Bonds"). The Series 2012 Bonds were set to mature December 1, 2032. Principal and interest is payable semi-annually on June 1 and December 1, at rates varying from 1.75% to 5.125%. The bond was secured by a Deed of Trust on all real estate owned by VLH with the exception of specified properties excluded in the agreement owned by the Organization. The bond was also secured by a security interest in substantially all personal property VLH and all funds held by the bond trustee, US Bank. The Series 2012 tax-exempt Bond was refunded on May 7, 2021 through the EDA with the issuance of the $13,643,590 Taxable Residential Care Facility Revenue Refunding Bond (Virginia Lutheran Homes Brandon Oaks Project) Series 2021 (the “Series 2021 Bond”). The Series 2021 Taxable Bond was converted to a tax-exempt bond on September 8, 2022 through the EDA with the issuance of Tax-Exempt Residential Care Facility Revenue Refunding Bond (Virginia Lutheran Homes Brandon Oaks Project) Series 2022 (the “Series 2022 Tax-Exempt Bond”). The Series 2022 Tax-Exempt Bond matures on December 31, 2032. Principal and interest are payable monthly and commenced June 1, 2021. The interest rate on the Series 2021 Bond is variable based on prevailing market rates and is reset monthly on 1-Month LIBOR plus 1.35%. During 2023, the Bond was modified for the cessation of LIBOR and replaced by the SOFR. The Organization entered into an interest rate swap agreement described in Note 11. The bond is secured by a Deed of Trust on all real estate owned by VLH with the exception of specified properties excluded in the agreement owned by the Organization. The bond is also secured by a security interest in substantially all personal property VLH and all funds held by the bond trustee, Pinnacle Bank.

The debt agreements include required debt service coverage ratios of 1.20 for Brandon Oaks and 1.0 for the Obligated Group (defined as “Virginia Lutheran Homes, Inc., which includes the Brandon Oaks facility operated by Virginia Lutheran Homes, Inc.”). The agreements provide that if the debt service coverage ratio is not met, the Organization will still be compliant with the covenants if it has a required reserve ratio of 35%. The agreements also include a liquidity covenant of 120 days cash on hand. Management believes the Organization has complied with all required provisions of the bond agreements and covenants.

Luther Crest is obligated on a $1,555,000 bond payable, with a bond issue discount of $22,771, to the Industrial Development Authority of Albemarle County, Virginia representing the liability for a revenue bond issue, the Senior Living Revenue Bonds (Shenandoah Valley Lutheran Housing, Inc.) Series 2002C for $1,510,000 and Taxable Series 2002D for $45,000. Payments into the debt service funds are equal to the required principal and interest payments on the bonds through maturity, June 1, 2032. Interest is payable semi-annually on June 1 and December 1, at rates varying from 4.00% to 6.125%. The bond is secured by pledged assets consisting of inventory, accounts (including accounts receivable and contract rights) and general intangibles; First Mortgage Lien or Real Estate; and Assignment of the Section 8 Housing Assistance Payments Program. This debt agreement contains a number of limitations, restrictions, and covenants. In addition, Luther Crest is required to maintain certain deposits with a trustee. Such deposits are included with restricted deposits in the consolidated financial statements (see Note 5). The debt agreement includes a required long-term debt service coverage ratio calculated at the end of each fiscal year that shall not be less than 1.10 beginning with the first full fiscal year following the issuance of the bonds. Luther Crest is required to maintain an Occupancy target of at least 85% as of June 30 and December 31 each year.

When the debt service coverage ratio is less than 1.10, according to the debt agreement, Luther Crest must retain a consultant to make recommendations to increase the ratio in the following year to 1.10. However, since the federal government regulates the revenues of Luther Crest, the debt agreement allows the debt service coverage ratio to go down as low as 1.00, but not below 1.00. Management believes Luther Crest has complied with all required provisions of the bond agreements and covenants.

Estimated aggregate maturities of the bonds payable required for future years ending December 31 are as follows:

	Principal	Interest	Total
2024	$ 1,656,139	$ 1,164,232	$ 2,820,371
2025	1,700,564	1,121,633	2,822,197
2026	1,745,951	1,077,764	2,823,715
2027	1,792,342	1,032,602	2,824,944
2028	1,839,767	986,124	2,825,891
2029 and thereafter	40,460,299	8,377,739	48,838,038
	$ 49,195,062	**$ 13,760,094**	**$ 62,955,156**

Estimated aggregate maturities of the notes payable required for future years ending December 31 are as follows:

2024	**$ 1,741,261**

The Organization follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. Total interest incurred was $1,319,842 and $1,165,881 for 2023 and 2022, respectively.

Note 11 – Interest Rate Swap

Variable rate long-term debt exposes the Organization to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

In November 2019, the Organization entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2019A Bonds that took effect November 5, 2019. The Organization pays a fixed rate of 2.421% while the financial institution pays based on 79% of 1-Month LIBOR plus 0.80%. During 2023, the swap was modified for the cessation of LIBOR and replaced by the SOFR. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of activities. The fair value of this derivative instrument is recorded on the accompanying consolidated statements of financial position as an other asset in 2023 and 2022.

In November 2019, the Organization entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2019B Bonds that took effect November 1, 2022. The Organization pays a fixed rate of 2.515% while the financial institution pays based on 79% of 1-Month LIBOR plus 0.80%. During 2023, the swap was modified for the cessation of LIBOR and replaced by the SOFR. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of activities. The fair value of this derivative instrument is recorded on the accompanying consolidated statements of financial position as an other asset in 2023 and 2022.

In April 2020, the Organization entered into two forward interest rate swap agreements, 2020 Taxable Bond swap agreement and 2023 Tax-Exempt Bond swap agreement, with a financial institution in conjunction with the 2020 Bonds effective April 22, 2020 and September 7, 2023, respectively. For the 2020 Taxable Bond swap, the Organization paid fixed rates of 1.484% respectively, while the financial institution pays based on 1-Month LIBOR plus 1.1027%. For the 2023 Tax-Exempt Bond swap, the Organization will pay a fixed rate of 2.05% while the financial institution will pay based on 79% of 1-Month LIBOR plus 0.80%. During 2023, the swap was modified for the cessation of LIBOR and replaced by the SOFR. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of activities. The fair value of this derivative instrument is recorded on the accompanying consolidated statements of financial position as an other asset in 2023 and 2022.

In May 2021, the Organization entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2021 Bonds that will take effect September 8, 2022. The Organization pays a fixed rate of 2.45% while the financial institution pays based on 79% of 1-Month LIBOR plus 1.0665%. During 2023, the swap was modified for the cessation of LIBOR and replaced by the SOFR. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of activities. The fair value of this derivative instrument is recorded on the accompanying consolidated statements of financial position as another asset in 2023 and 2022.

The following schedule outlines the terms and fair values of the interest rate swap agreement.

	2019A Bond Bank Swap	2019B Bond Bank Swap	2020 Taxable Bond Bank Swap	2023 Tax-Exempt Bond Bank Swap	2021 Tax-Exempt Bond Bank Swap	Total
Notional amount	$ 16,617,919	$ 11,137,621	$ -	$ 9,818,260	$ 10,801,260	$ 48,375,062
Trade date	11/5/2019	11/5/2019	4/22/2020	9/7/2023	5/7/2021	-
Effective date	11/5/2019	11/1/2022	4/22/2020	9/7/2023	9/8/2022	-
Termination date	11/1/2034	11/1/2037	9/7/2023	12/1/2044	12/1/2032	-
Fixed rate	2.421%	2.515%	1.484%	2.05%	2.45%	-
Fair value at December 31, 2022	$ 1,921,89	$ 1,194,862	$ 297,254	$ 1,960,262	$ 893,486	$ 6,267,762
Unrealized gains (losses)	(149,607)	(88,592)	(297,254)	123,409	(219,833)	(631,877)
Fair value at December 31, 2023	**$ 1,772,291**	**$ 1,106,270**	**$ -**	**$ 2,083,671**	**$ 673,653**	**$ 5,635,885**

By using an interest rate swap to hedge exposure to change in interest rates, the Organization exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

Note 12 – Retirement Plan

The Organization maintains a defined contribution 403(b) plan (Plan) for substantially all employees. The Organization's contributions to the Plan are designed to match employee contributions up to a certain percentage of compensation. Organization contributions to the Plan totaled $418,354 and $391,788 for 2023 and 2022, respectively.

Note 13 – Leases – Lessor

The Organization is the lessor of office space in the Brandon Oaks and Brandon Point facilities under various leases. Rent income amounted to $432,968 and $434,936 for 2023 and 2022, respectively.

The estimated annual rental income for the next five years is as follows:

2024	$	310,576
2025		202,384
2026		157,294
2027		120,880
2028		75,699
Thereafter		148,381
	$	**1,015,214**

Note 14 – Leases – Lessee

The Organization leases its postage machines with lease terms ranging from 4-5 years. The lease agreement does not include any material residual value guarantees or restrictive covenants. Finance lease right-of-use assets are amortized on a straight-line basis over the useful life of the underlying asset since the purchase option is reasonably certain to be exercised and interest expense is recognized and incurred.

Finance lease right-of-use assets of $9,713 and $118,156 and finance lease liabilities of $9,937 and $120,390 were recorded as of December 31, 2023 and 2022, respectively.

The components of financing lease expenses that are included in "Administrative and general" in the statement of activities for the year ended December 31, 2023 and 2022 were as follows:

	2023		2022	
Amortization of right-of-use asset	$	51,902	$	54,146
Interest expense		3,551		5,727

Weighted average lease term and discount rate as of December 31, 2023 were as follows:

Weighted average remaining lease term	2.3 Years
Weighted average discount interest rate	4.8%

The maturities of financing lease liabilities as of December 31, 2023, are as follows:

2024	$	2,940
2025		2,940
2026		2,414
2027		1,884
2028		157
Total lease payment		10,335
Less future interest		(398)
Present value of lease liability	**$**	**9,937**

For the year ended December 31, 2022, cash paid for finance lease liabilities totaled $59,156 and right-of-use assets obtained in exchange for financing lease liabilities for the year ended totaled $172,302. There were no similar transactions during the year ended December 31, 2023.

Subsequent to year-end the Organization entered into a lease agreement effective January 20, 2024 for a new copier with a 5-year term.

Note 15 – Functional Expenses

The Organization provides long-term care services to its residents. Expenses related to providing these services for the years ended December 31 are as follows:

	2023			
	Healthcare Services	Management and General	Fundraising	Total
Salaries and benefits	$ 14,586,917	$ 1,444,731	$ 92,556	$ 16,124,204
Purchased services	1,094,946	339,631	-	1,434,577
Supplies	874,277	18,040	-	892,317
Professional fees	791,391	54,564	-	845,955
Repairs and maintenance	271,212	20,483	-	291,695
Utilities	1,144,737	109,193	-	1,253,930
Food	1,359,063	-	-	1,359,063
Insurance	378,469	92,224	-	470,693
Advertising and marketing	343,143	40,694	-	383,837
Interest	1,178,320	69,274	-	1,247,594
Depreciation	4,616,143	176,192	-	4,792,335
Other	369,889	89,019	17,681	476,589
	$ 27,008,507	**$ 2,454,045**	**$ 110,237**	**$ 29,572,789**

	2022			
	Healthcare Services	Management and General	Fundraising	Total
Salaries and benefits	$ 13,790,763	$ 1,609,847	$ 87,737	$ 15,488,347
Purchased services	1,051,709	329,856	-	1,381,565
Supplies	997,886	18,550	-	1,016,436
Rentals and leases	-	43,828	-	43,828
Professional fees	408,616	47,513	-	456,129
Repairs and maintenance	313,374	24,823	-	338,197
Utilities	985,163	91,876	-	1,077,039
Food	1,243,836	-	-	1,243,836
Insurance	415,197	98,894	-	514,091
Advertising and marketing	336,475	22,240	-	358,715
Interest	1,019,777	75,444	-	1,095,221
Depreciation	3,761,604	162,427	-	3,924,031
Other	406,448	82,394	17,060	505,902
	$ 24,730,848	**$ 2,607,692**	**$ 104,797**	**$ 27,443,337**

Note 16 – Net Assets Released from Restrictions

Net assets released from restrictions represent assets with donor restrictions that have been expended to fulfill the donor imposed stipulations. These restrictions were satisfied by incurring expenses for the following purposes:

	2023	2022
NRC program support	$ 53,720	$ 10,984
Chapel	4,072	4,733
Fundraising events	2,792	27,695
Memory support	184,943	401,078
Other	52,419	51,426
	$ 297,946	**$ 495,916**

Note 17 – Commitments and Contingencies

Insurance

The Organization has insurance coverage for possible litigation in the ordinary course of business related to general and professional liability claims. The Organization's medical malpractice coverage under its umbrella policy is on a per occurrence basis with insurance limits of $5,000,000 per claim and $5,000,000 in the aggregate. In addition, the Organization has medical malpractice coverage under its general liability policy, which is on a claims-made basis with insurance limits of $2,650,000 per claim and $4,000,000 in the aggregate. In the opinion of management, under the existing Virginia statutes, the Organization has adequate insurance, so the eventual outcome of any claims is not expected to have a material adverse effect on the Organization's financial position or its ability to provide adequate and proper care to its residents.

Note 18 – Subsequent Events

The Organization has evaluated all events and transactions for potential recognition or disclosure through April 3, 2024, the date the consolidated financial statements were available to be issued.

Supplementary Information

BROWNEDWARDS
certified public accountants

Independent Auditor's Report on Supplementary Information

Board of Trustees and Management
Virginia Lutheran Homes, Inc. and Affiliates
Roanoke, Virginia

We have audited the consolidated financial statements of Virginia Lutheran Homes, Inc. and Affiliates as of and for the years ended December 31, 2023 and 2022, and our report thereon dated April 3, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information and summarized schedule of cash flows on pages 32-35 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net assets, and cash flows of the individual companies, 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.

The schedule of selected ratios on pages 36-37 and the schedule of occupancy statistics on page 38 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of selected ratios and the schedule of occupancy statistics, which are the responsibility of management, are of a non-accounting nature and have not been subjected to the auditing procedures applied in the audit of the consolidated financial statements. Accordingly, we do not express an opinion or provide any assurance on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
April 3, 2024

Virginia Lutheran Homes, Inc. and Affiliates

Consolidating Statement of Financial Position and Summarized Schedule of Cash Flows

December 31, 2023

	VLH Corporate	Brandon Oaks	Eliminations	Total Obligated Group	Brandon Oaks At Home	Brandon Point	Luther Crest	Eliminations	Consolidated Total
ASSETS									
Current assets	$ 8,587,613	$ 4,766,028	$ (3,576,432)	$ 9,777,209	$ 244,619	$ 77,732	$ 45,448	$ (1,354,397)	$ 8,790,611
Assets whose use is limited	6,159,479	7,986,479	-	14,145,958	-	-	173,262	-	14,319,220
Property and equipment, net	377,742	51,756,252	-	52,133,994	6,305	2,513,979	494,936	-	55,149,214
Other assets	364,339	5,697,716	-	6,062,055	-	-	11,997	(168,236)	5,905,816
Total assets	$ 15,489,173	$ 70,206,475	$ (3,576,432)	$ 82,119,216	$ 250,924	$ 2,591,711	$ 725,643	$ (1,522,633)	$ 84,164,861
LIABILITIES AND NET ASSETS (DEFICIT)									
Current liabilities	$ 4,294,367	$ 2,526,983	$ (3,576,432)	$ 3,244,918	$ 823,428	$ 2,020,088	$ 461,286	$ (1,396,174)	$ 5,153,546
Non-current liabilities	6,435	84,572,391	-	84,578,826	-	125,459	741,234	(125,459)	85,320,060
Net assets (deficit)	11,188,371	(16,892,899)	-	(5,704,528)	(572,504)	446,164	(476,877)	(1,000)	(6,308,745)
Total liabilities	$ 15,489,173	$ 70,206,475	$ (3,576,432)	$ 82,119,216	$ 250,924	$ 2,591,711	$ 725,643	$ (1,522,633)	$ 84,164,861
Summarized Schedule of Cash Flows									
Cash flows from operating activities	$ (898,067)	$ 7,961,006	$ -	$ 7,062,939	$ 9,948	$ 282,459	$ 265,650	$ -	$ 7,620,996
Cash flows from investing activities	660,435	(3,258,539)	-	(2,598,104)	-	(72,565)	(184,708)	-	(2,855,377)
Cash flows from financing activities	(16,360)	(4,010,558)	-	(4,026,918)	-	(142,144)	(61,186)	-	(4,230,248)
Increase (decrease) in cash flows	$ (253,992)	$ 691,909	$ -	$ 437,917	$ 9,948	$ 67,750	$ 19,756	$ -	$ 535,371

Virginia Lutheran Homes, Inc. and Affiliates

Consolidating Statement of Financial Position and Summarized Schedule of Cash Flows
December 31, 2022

	VLH Corporate	Brandon Oaks	Eliminations	Total Obligated Group	Brandon Oaks At Home	Brandon Point	Luther Crest	Eliminations	Consolidated Total
ASSETS									
Current assets	$ 8,426,314	$ 4,452,682	$ (4,007,682)	$ 8,871,314	$ 151,474	$ 24,365	$ 19,237	$ (937,339)	$ 8,129,051
Assets whose use is limited	5,603,884	6,926,480	-	12,530,364	-	-	184,798	-	12,715,162
Property and equipment, net	431,080	53,620,050	-	54,051,130	8,861	2,546,717	417,502	-	57,024,210
Other assets	564,938	6,428,347	-	6,993,285	-	-	16,727	(208,793)	6,801,219
Total assets	$ 15,026,216	$ 71,427,559	$ (4,007,682)	$ 82,446,093	$ 160,335	$ 2,571,082	$ 638,264	$ (1,146,132)	$ 84,669,642
LIABILITIES AND NET ASSETS (DEFICIT)									
Current liabilities	$ 4,728,510	$ 3,152,085	$ (4,007,682)	$ 3,872,913	$ 613,853	$ 331,311	$ 290,682	$ (977,896)	$ 4,130,863
Non-current liabilities	20,622	86,044,266	-	86,064,888	-	1,908,497	801,229	(167,236)	88,607,378
Net assets (deficit)	10,277,084	(17,768,792)	-	(7,491,708)	(453,518)	331,274	(453,647)	(1,000)	(8,068,599)
Total liabilities	$ 15,026,216	$ 71,427,559	$ (4,007,682)	$ 82,446,093	$ 160,335	$ 2,571,082	$ 638,264	$ (1,146,132)	$ 84,669,642
Summarized Schedule of Cash Flows									
Cash flows from operating activities	$ 550,612	$ 4,823,991	$ -	$ 5,374,603	$ 1,310	$ 88,482	$ 166,713	$ -	$ 5,631,108
Cash flows from investing activities	(1,192,262)	(5,947,473)	-	(7,139,735)	(6,430)	(6,849)	(120,985)	-	(7,273,999)
Cash flows from financing activities	(6,847)	(1,935,971)	-	(1,942,818)	-	(142,144)	(56,223)	-	(2,141,185)
Decrease in cash flows	$ (648,497)	$ (3,059,453)	$ -	$ (3,707,950)	$ (5,120)	$ (60,511)	$ (10,495)	$ -	$ (3,784,076)

Virginia Lutheran Homes, Inc. and Affiliates

Consolidating Statement of Activities

Year Ended December 31, 2023

	VLH Corporate	Brandon Oaks	Eliminations	Total Obligated Group	Brandon Oaks At Home	Brandon Point	Luther Crest	Eliminations	Consolidated Total
OPERATING REVENUES									
Residential and health care services, including amortization of deferred revenue from advance fees of $4,222,696	$ -	$ 27,327,195	$ -	$ 27,327,195	$ 1,394,826	$ -	$ 339,418	$ -	$ 29,061,439
Management fees	2,296,130	-	(2,254,107)	42,023	-	-	-	(42,023)	-
Miscellaneous revenue	504	564,399	-	564,903	-	607,371	14,410	(213,158)	973,526
Total operating revenues	2,296,634	27,891,594	(2,254,107)	27,934,121	1,394,826	607,371	353,828	(255,181)	30,034,965
OPERATING EXPENSES									
Nursing	-	6,299,824	-	6,299,824	-	-	-	-	6,299,824
Clinical services	-	-	-	-	544,789	-	-	-	544,789
Therapy	-	473,334	-	473,334	393,289	-	-	-	866,623
Social service	-	66,352	-	66,352	-	-	-	-	66,352
Activities and wellness	-	473,870	-	473,870	-	-	-	-	473,870
Chaplains	22,220	116,258	-	138,478	-	-	-	-	138,478
Employee benefits	250,267	2,013,689	-	2,263,956	215,103	-	11,344	-	2,490,403
Management fees	-	1,825,859	(1,825,859)	-	-	-	-	-	-
Administrative and general	1,575,488	2,603,840	(428,248)	3,751,080	326,390	115,759	100,543	(42,023)	4,251,749
Marketing	68,919	615,873	-	684,792	6,244	-	-	-	691,036
Dietary	-	3,992,234	-	3,992,234	-	-	-	-	3,992,234
Plant operation and maintenance	165,810	2,412,083	-	2,577,893	25,441	202,145	114,098	(213,158)	2,706,419
Housekeeping	-	952,749	-	952,749	-	-	-	-	952,749
Interest expense	-	1,193,499	-	1,193,499	-	69,274	55,344	-	1,318,117
Depreciation	54,439	4,411,874	-	4,466,313	2,556	105,303	95,738	-	4,669,910
Total operating expenses	2,137,143	27,451,338	(2,254,107)	27,334,374	1,513,812	492,481	377,067	(255,181)	29,462,553
Operating income (loss)	159,491	440,256	-	599,747	(118,986)	114,890	(23,239)	-	572,412
NON-OPERATING ACTIVITIES									
Fundraising and development	(110,236)	-	-	(110,236)	-	-	-	-	(110,236)
Contributions, net	102,067	-	-	102,067	-	-	-	-	102,067
Investment income	759,965	1,067,514	-	1,827,479	-	-	9	-	1,827,488
Unrealized loss in swap valuation	-	(631,877)	-	(631,877)	-	-	-	-	(631,877)
Total non-operating activities	751,796	435,637	-	1,187,433	-	-	9	-	1,187,442
Change in net assets	$ 911,287	$ 875,893	$ -	$ 1,787,180	$ (118,986)	$ 114,890	$ (23,230)	$ -	$ 1,759,854

Virginia Lutheran Homes, Inc. and Affiliates

Consolidating Statement of Activities

Year Ended December 31, 2022

	VLH Corporate	Brandon Oaks	Eliminations	Total Obligated Group	Brandon Oaks At Home	Brandon Point	Luther Crest	Eliminations	Consolidated Total
OPERATING REVENUES									
Residential and health care services, including amortization of deferred revenue from advance fees of $3,389,849	$ -	$ 22,434,039	$ -	$ 22,434,039	$ 1,115,894	$ -	$ 326,763	$ -	$ 23,876,696
Management fees	2,170,083	-	(2,128,669)	41,414	-	-	-	(41,414)	-
Miscellaneous revenue	15,030	457,696	-	472,726	-	607,753	16,599	(209,251)	887,827
Total operating revenues	2,185,113	22,891,735	(2,128,669)	22,948,179	1,115,894	607,753	343,362	(250,665)	24,764,523
OPERATING EXPENSES									
Nursing	-	5,685,597	-	5,685,597	-	-	-	-	5,685,597
Clinical services	-	-	-	-	515,758	-	-	-	515,758
Therapy	-	853,650	-	853,650	286,550	-	-	-	1,140,200
Social service	-	89,771	-	89,771	-	-	-	-	89,771
Activities and wellness	-	421,673	-	421,673	-	-	-	-	421,673
Chaplains	12,287	71,640	-	83,927	-	-	-	-	83,927
Employee benefits	275,998	2,129,476	-	2,405,474	189,312	-	14,384	-	2,609,170
Management fees	-	1,715,806	(1,715,806)	-	-	-	-	-	-
Administrative and general	1,715,444	2,146,041	(412,863)	3,448,622	315,854	96,262	109,426	(41,414)	3,928,750
Marketing	67,765	535,323	-	603,088	11,346	-	-	-	614,434
Dietary	-	3,728,004	-	3,728,004	-	-	-	-	3,728,004
Plant operation and maintenance	162,930	2,316,051	-	2,478,981	24,942	182,888	104,176	(209,251)	2,581,736
Housekeeping	-	920,268	-	920,268	-	-	-	-	920,268
Interest expense	-	1,031,576	-	1,031,576	-	75,443	58,862	-	1,165,881
Depreciation	56,748	3,623,101	-	3,679,849	2,657	105,679	65,186	-	3,853,371
Total operating expenses	2,291,172	25,267,977	(2,128,669)	25,430,480	1,346,419	460,272	352,034	(250,665)	27,338,540
Operating income (loss)	(106,059)	(2,376,242)	-	(2,482,301)	(230,525)	147,481	(8,672)	-	(2,574,017)
NON-OPERATING ACTIVITIES									
Fundraising and development	(104,797)	-	-	(104,797)	-	-	-	-	(104,797)
Contributions, net	8,534	-	-	8,534	-	-	-	-	8,534
Investment income (loss)	(749,918)	(1,111,497)	-	(1,861,415)	-	-	132	-	(1,861,283)
Unrealized gain in swap valuation	-	7,281,205	-	7,281,205	-	-	-	-	7,281,205
Total non-operating activities	(846,181)	6,169,708	-	5,323,527	-	-	132	-	5,323,659
Change in net assets	$ (952,240)	$ 3,793,466	$ -	$ 2,841,226	$ (230,525)	$ 147,481	$ (8,540)	$ -	$ 2,749,642

Virginia Lutheran Homes, Inc. and Affiliates

Schedule of Selected Ratios
(Unaudited)
December 31, 2023

	Brandon Oaks Rate Covenant	Obligated Group Rates Covenant	Luther Crest Rate Covenant
Calculation of debt service coverage ratio:			
Change in net assets	$ 875,893	$ 1,787,180	$ (23,230)
Plus depreciation	4,411,874	4,466,313	95,738
Plus bond interest expense	1,193,499	1,193,499	55,344
Plus interest rate swap evaluation	631,877	631,877	-
Less earned entry fees	(4,222,696)	(4,222,696)	-
Plus unrealized (gain) loss	(1,165,833)	(1,718,873)	-
Less current year realized gain (loss)	267,093	366,140	-
Add average gain of last five years	183,253	179,507	-
Less permanently restricted contributions	-	(212,728)	-
Less current year charitable contributions without donor restrictions	-	(2,148)	-
Add lesser of current year contributions or average contributions without donor restrictions	-	2,148	-
Plus entry fee receipts	6,331,488	6,331,488	-
Less entry fee refunds	(2,781,699)	(2,781,699)	-
Income available for debt service	$ 5,724,749	$ 6,020,008	$ 127,852
Maximum annual debt service	$ 2,976,401	$ 2,976,401	$ 113,900
Long-term debt service coverage ratio	1.92	2.02	1.12

Virginia Lutheran Homes, Inc. and Affiliates

Schedule of Selected Ratios
(Unaudited)
December 31, 2023

	Obligated Group
Calculation of reserve ratio:	
Cash and cash equivalents	$ 7,154,766
Investments, at market value	14,145,958
Total reserves	21,300,724
Less:	
Reserves with donor restrictions	(1,345,104)
Available reserves	19,955,620
Long-term debt not under construction	46,778,923
Reserve ratio	43%
Calculation of liquidity covenant:	
Days in a year	365
Available reserves	19,955,620
Less required debt service reserves	-
Net available reserves	19,955,620
Total operating expenses	27,334,374
Less depreciation	(4,466,313)
Total expenses excluding depreciation	$ 22,868,061
Days cash on hand	319

Virginia Lutheran Homes, Inc. and Affiliates

Schedule of Occupancy Statistics
(Unaudited)

December 31, 2023

Brandon Oaks Historical Occupancy Data:

Independent Living:

Year	Total Units	Occupied	Average Total Occupancy	Wait List	Units Sold
2019	201	179	90.5%	60	179
2020	199	168	85.8%	55	168
2021	195	164	81.9%	56	164
2022	192	166	84.9%	66	166
2023	192	171	87.2%	103	171

Entry Fee Data (thousands)

Year	Move-Ins	Entry Fees	Move-Outs	Refunds	% Refunds to Receipts
2019	28	6,473	16	2,618	40.4%
2020	17	4,544	28	2,778	61.1%
2021	22	5,459	26	1,650	30.2%
2022	28	7,154	26	2,114	29.5%
2023	28	6,331	23	2,782	43.9%

Assisted Living Occupancy of Brandon Oaks:

Year	Total Units	Occupied	Average Total Occupancy	Average Private	Average Life Care
2019	40	38	94.9%	18.3%	91.7%
2020	40	33	91.5%	14.2%	85.8%
2021	40	21 *	88.9%	11.2%	88.3%
2022	40	38	78.6%	26.6%	73.4%
2023	40	38	95.6%	42.4%	57.6%

*At the end of 2021, the first floor was being renovated, which resulted in lower occupied units.

Nursing and Rehabilitation Center Occupancy of Brandon Oaks:

Year	Total Units	Occupied Units	Average Total Occupancy	Average Occupancy Private Pay	Average Occupancy Life Care	Average Occupancy Medicaid	Average Occupancy Medicaid/ Managed Care
2019	87	77	87.9%	17.9%	37.9%	9.8%	35.0%
2020	87	51	77.1%	22.4%	41.5%	11.4%	24.7%
2021	88	56 *	88.8%	21.3%	40.9%	10.3%	27.5%
2022	88	70	82.5%	26.1%	43.4%	9.2%	21.3%
2023	88	78	85.3%	39.7%	27.4%	10.4%	22.5%

*Due to construction at end of 2021, there has been a reduction in total units.

Occupancy Data for Luther Crest:

	Move-Ins	Move-Outs	Average Occupancy	Wait List (End of Quarter)
Luther Crest:				
1st Qtr	1	-	94%	7
2nd Qtr	4	3	97%	7
3rd Qtr	3	1	92%	6
4th Qtr	3	-	100%	2

APPENDIX E

SUMMARY OF FINANCIAL INFORMATION

Brandon Oaks
Summary of Financial Information

	2023	2022
Total Assets	$ 70,206,475	$ 71,427,559
Total Liabilities	$ 87,099,374	$ 89,196,351
Total Net Assets	$ (16,892,899)	$ (17,768,792)
Total Operating Revenues	$ 27,891,594	$ 22,891,735
Total Operating Expenses	$ 27,451,338	$ 25,267,977
Operating Income (Loss)	$ 440,256	$ (2,376,242)
Net Income (Loss)	$ 875,893	$ 3,793,466

Narrative on financial condition:

The Nursing and Rehab and Memory Care renovation project was completed in August 2022 so we had a full year of higher occupancy in 2023, as reflected in the increase in operating revenues from 2022 to 2023 as well as positive operating income. We also had strong occupancy numbers in 2023 with 28 new move in's and finished above census budget in IL and AL as well. Included in 2022 net income was $1.1M unrealized loss on investments as well as $7.2M unrealized gain in swap valuation. In 2023 we had $1.1M investment income and $631k unrealized loss in swap valuation. While total net assets are negative, it should be noted that included in Liabilities is $25,712,387 in Deferred Revenue from advance fees, along with $12,738,609 in refundable Life Care Contracts. Pursuant to the Life Care agreements, refunds for those residents who have refundable contracts are not paid out until another resident pays a new Entrance Fee for the vacated unit.

Occupancy Information	Capacity of Units	Average Occupancy	% Occupancy
Independent Living	192	167.8	87.2%
Assisted Living	40	38.2	95.6%
Memory Care	26	19.5	75.1%
Skilled Nursing	62	55.5	89.5%

Virginia Lutheran Homes, Inc., and Affiliates
Consolidated Balance Sheet
December 31, 2023

ASSETS	Virgina Luth-eran Homes	Brandon Oaks	Eliminations	Total Obligated Group	Brandon Oaks At Home	Brandon Point	Luther Crest	Eliminations	Consolidated Total
Current Assets									
Cash & cash equivalents	$ 7,141,067	$ 13,699	$ -	$ 7,154,766	14,848	$ 71,440	$ 31,076	$ -	$ 7,272,130
Current portion of assets whose use is limited	-	-	-	-	-	-	4,191	-	4,191
Accounts receivable, net									
Residents	-	529,705	-	529,705	14,884	-	-	-	544,589
Third party and other	(2,222,035)	404,756	3,576,432	1,759,153	155,967	-	-	(1,354,397)	560,723
Inventories	-	33,333	-	33,333	-	-	7,017	-	40,350
Prepaid expenses	83,205	175,791	-	258,996	58,920	6,292	3,164	-	327,372
Accrued interest receivable	8,944	32,312	-	41,256	-	-	-	-	41,256
Total current assets	5,011,181	1,189,596	3,576,432	9,777,209	244,619	77,732	45,448	(1,354,397)	8,790,611
Assets whose use is limited/reserves:									
Board designated reserves	4,814,375	7,986,479	-	12,800,854	-	-	-	-	12,800,854
Debt service reserves	-	-	-	-	-	-	148,901	-	148,901
HUD replacement reserves and residual receipts	-	-	-	-	-	-	24,361	-	24,361
Assets temporarily restricted by donors	943,177	-	-	943,177	-	-	-	-	943,177
Assets permanently restricted by donors	401,927	-	-	401,927	-	-	-	-	401,927
Total assets whose use is limited	6,159,479	7,986,479	-	14,145,958	-	-	173,262	-	14,319,220
Property and equipment, net	377,742	51,756,252	-	52,133,994	6,305	2,513,979	494,936		55,149,214
Other Assets									
Deferred financing costs, net	-	-	-	-	-	-	-	-	-
Deposits	1,075	59,070	-	60,145	-	-	11,997	-	72,142
Annuities receivable	5,805	-	-	5,805	-	-	-	-	5,805
SWAP termination asset	-	5,635,885	-	5,635,885	-	-	-	-	5,635,885
Other	357,459	2,761	-	360,220	-	-	-	(168,236)	191,984
Total Other Assets	364,339	5,697,716	-	6,062,055	-	-	11,997	(168,236)	5,905,816
TOTAL ASSETS	$ 11,912,741	$ 66,630,043	$ 3,576,432	$ 82,119,216	$ 250,924	$ 2,591,711	$ 725,643	$ (1,522,633)	$ 84,164,861

Virginia Lutheran Homes, Inc., and Affiliates
Consolidated Balance Sheet
December 31, 2023

LIABILITIES AND NET ASSETS	Virginia Lutheran Homes	Brandon Oaks	Eliminations	Total Obligated Group	Brandon Oaks At Home	Brandon Point	Luther Crest	Eliminations	Consolidated Total
Current Liabilities									
Due to related party	$ -	$ (3,576,432)	$ 3,576,432	$ -	$ 765,459	$ 194,237	$ 394,701	$ (1,354,397)	-
Current portion of long-term debt	-	1,596,139	-	1,596,139	-	1,783,038	60,000	(41,777)	3,397,400
Accounts payable	550,310	-	-	550,310	-	-	-	-	550,310
Deferred Revenue	-	-	-		-	-	-	-	-
Accrued interest payable	-	95,696	-	95,696	-	-	4,185	-	99,881
Accrued wages and vacation payable	137,680	478,711	-	616,391	57,969	-	2,400	-	676,760
Current portion of refundable fee	-	214,850	-	214,850	-	-	-	-	214,850
Other current liabilities	29,945	141,587	-	171,532	-	42,813	-	-	214,345
Total Current Liabilities	717,935	(1,049,449)	3,576,432	3,244,918	823,428	2,020,088	461,286	(1,396,174)	5,153,546
Long-term debt, net of current portion	-	46,778,923	-	46,778,923	-	125,459	760,000	(125,459)	47,538,923
Unamortized debt issuance costs	-	(877,575)	-	(877,575)	-	-	(30,193)	-	(907,768)
Total Long Term Debt net	-	45,901,348	-	45,901,348	-	125,459	729,807	(125,459)	46,631,155
Other Liabilities									
Deferred revenue from advance fees	-	25,712,387	-	25,712,387	-	-	-	-	25,712,387
Refundable advance fees	-	12,738,609	-	12,738,609	-	-	-	-	12,738,609
SWAP Termination Liability	-	-	-	-	-	-	-	-	-
Other deposits	6,435	220,047	-	226,482	-	-	11,427	-	237,909
Total Other Liabilities	6,435	38,671,043	-	38,677,478	-	-	11,427	-	38,688,905
TOTAL LIABILITIES	$ 724,370	$ 83,522,942	$ 3,576,432	$ 87,823,744	$ 823,428	$ 2,145,547	$ 1,202,520	$ (1,521,633)	$ 90,473,606
Net Assets									
Unrestricted	9,819,462	(16,892,899)	-	(7,073,437)	(572,504)	446,164	(476,877)	(1,000)	(7,677,654)
Temporarily restricted	721,748	-	-	721,748	-	-	-	-	721,748
Permanently restricted	647,161	-	-	647,161	-	-	-	-	647,161
TOTAL NET ASSETS	11,188,371	(16,892,899)	-	(5,704,528)	(572,504)	446,164	(476,877)	(1,000)	(6,308,745)
TOTAL LIABILITIES AND NET ASSETS	$ 11,912,741	$ 66,630,043	$ 3,576,432	$ 82,119,216	$ 250,924	$ 2,591,711	$ 725,643	$ (1,522,633)	$ 84,164,861

Virginia Lutheran Homes, Inc., and Affiliates
Consolidated Income Statement
December 31, 2023

	Virgina Luth-eran Homes	Brandon Oaks	Eliminations	Total Obligated Group	Brandon Oaks At Home	Brandon Point	Luther Crest	Eliminations	Consolidated Total
Operating revenue									
Independent living	$ -	$ 11,242,518	$ -	$ 11,242,518	$ -	$ -	$ -	$ -	$ 11,242,518
Assisted living	-	2,666,841	-	2,666,841	-	-	-	-	2,666,841
Nursing & rehabilitation center	-	8,931,328	-	8,931,328	-	-	-	-	8,931,328
HUD housing rental income	-	-	-	-	-	-	339,418	-	339,418
Home Care revenue	-	-	-	-	1,394,826	-	-	-	1,394,826
Commercial rents	-	-	-	-	-	607,371	-	-	607,371
Management fees	2,296,130	-	(2,254,107)	42,023	-	-	-	(42,023)	-
Earned entrance fee revenue	-	4,222,696	-	4,222,696	-	-	-	-	4,222,696
Entrance fee administration fee	-	263,812	-	263,812	-	-	-	-	263,812
Other revenue	504	564,399	-	564,903	-	-	14,410	(213,158)	366,155
Total operating income	2,296,634	27,891,594	(2,254,107)	27,934,121	1,394,826	607,371	353,828	(255,181)	30,034,965
Operating expenses									
Nursing	-	6,299,824	-	6,299,824	-	-	-	-	6,299,824
Clincal services	-	-	-	-	544,789	-	-	-	544,789
Therapy	-	473,334	-	473,334	393,289	-	-	-	866,623
Social service	-	66,352	-	66,352	-	-	-	-	66,352
Activities & wellness	-	473,870	-	473,870	-	-	-	-	473,870
Chaplains	22,220	116,258	-	138,478	-	-	-	-	138,478
Employee benefits	250,267	2,013,689	-	2,263,956	215,103	-	11,344	-	2,490,403
Management fees	-	1,825,859	(1,825,859)	-	-	-	-	-	-
Administrative and general	1,575,488	2,603,840	(428,248)	3,751,080	326,390	115,759	100,543	(42,023)	4,251,749
Marketing	68,919	615,873	-	684,792	6,244	-	-	-	691,036
Dietary	-	3,992,234	-	3,992,234	-	-	-	-	3,992,234
Plant operation and maintenance	165,810	2,412,083	-	2,577,893	25,441	202,145	114,098	(213,158)	2,706,419
Housekeeping	-	952,749	-	952,749	-	-	-	-	952,749
Interest expense	-	1,193,499	-	1,193,499	-	69,274	55,344	-	1,318,117
Depreciation and amortization	54,439	4,411,874	-	4,466,313	2,556	105,303	95,738	-	4,669,910
Provision for bad debts	-	-	-	-	-	-	-	-	-
Total operating expenses	2,137,143	27,451,338	(2,254,107)	27,334,374	1,513,812	492,481	377,067	(255,181)	29,462,553
Operating gain, (loss)	159,491	440,256	-	599,747	(118,986)	114,890	(23,239)	-	572,412
Non-operating activities									
Fundraising and development	(107,581)	-	-	(107,581)	-	-	-	-	(107,581)
Contributions received	214,876	-	-	214,876	-	-	-	-	214,876
Contributions paid	(112,809)	-	-	(112,809)	-	-	-	-	(112,809)
Investment Income	759,965	1,067,514	-	1,827,479	-	-	9	-	1,827,488
Unrealized gain (loss) in SWAP valuation	-	(631,877)	-	(631,877)	-	-	-	-	(631,877)
Loss on refunding	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-
Gain on sale of Luther Manor assets	-	-	-	-	-	-	-	-	-
Change in annuity value	(2,655)	-	-	(2,655)	-	-	-	-	(2,655)
Total non-operating activities	751,796	435,637	-	1,187,433	-	-	9	-	1,187,442
Change in net assets	$ 911,287	$ 875,893	$ -	$ 1,787,180	$ (118,986)	$ 114,890	$ (23,230)	$ -	$ 1,759,854

APPENDIX F

MATERIAL DIFFERENCES BETWEEN 2023 PROFORMA INCOME STATEMENTS AND ACTUAL RESULTS

Brandon Oaks
Statement of Activities Budget to Actual
December 31, 2023

Operating revenue	**Actual**	**Budget**	**Variance $**	**Variance %**
Independent living	$ 11,240,058	$ 10,906,707	$ 333,351	3.06%
Assisted living	2,653,948	2,394,395	259,553	10.84%
Nursing & rehabilitation center	8,873,554	8,094,585	778,969	9.62%
Earned entrance fee revenue	4,222,696	3,835,499	387,197	10.10%
Entrance fee administration fee	263,812	296,212	(32,400)	-10.94%
Other revenue	649,882	556,300	93,582	16.82%
Total operating income	27,903,950	26,083,698	1,820,252	6.98%
Operating expenses				
Nursing	6,169,311	4,884,660	(1,284,651)	-26.30%
Therapy	882,174	1,013,519	131,345	12.96%
Social Service	66,352	58,095	(8,257)	-14.21%
Activities & wellness	473,870	486,358	12,488	2.57%
Chaplains	116,258	127,552	11,294	8.85%
Employee benefits	2,089,867	2,245,830	155,963	6.94%
Management fees	1,825,859	1,825,859	-	0.00%
Administrative and general	2,209,469	2,143,897	(65,572)	-3.06%
Marketing	615,873	588,916	(26,957)	-4.58%
Dietary	3,990,096	3,935,869	(54,227)	-1.38%
Plant operation and maintenance	2,412,083	2,245,251	(166,832)	-7.43%
Housekeeping	958,905	953,619	(5,286)	-0.55%
Interest expense	1,227,728	1,179,982	(47,746)	-4.05%
Depreciation and amortization	4,411,874	4,100,903	(310,971)	-7.58%
Provision for doubtful accounts	13,976	43,976	30,000	68.22%
Total operating expenses	27,463,695	25,834,286	(1,629,409)	-6.31%
Operating gain, (loss)	440,255	249,412	190,843	76.52%
Non-operating activities				
Contributions received	-	-	-	0.00%
Unrealized Gain (Loss) in Swap Evaluation	(631,876)	-	(631,876)	100.00%
Loss on refunding	-	-	-	0.00%
Other Income	-	-	-	0.00%
Investment Income	1,067,514	128,000	939,514	734.00%
Total non-operating activities	435,638	128,000	307,638	240.34%
Change in net assets	$ 875,893	$ 377,412	$ 498,481	132.08%

Material differences between 2023 pro forma
Income statement and actual results

For the twelve months ending December 31, 2023, Brandon Oaks had an increase in net assets of $875,893. Operating revenues were above forecast by $1,820,252, while operating expenses were ($1,629,409) over forecast.

Service revenues for the twelve months ending December 31, 2023 were $1,371,873 above forecast including $333,351 positive variance in Independent Living, $259,553 positive variance in Assisted Living and $778,969 positive variance in Nursing & Rehab. The twelve month average census for Independent Living was 167.8 compared to budget of 168. For 2023 Independent Living had 28 closings/new move-in's and 23 move-outs/transfers. The NRC saw an increase in their census with the renovations being complete late in 2022. The average NRC census was 55.5 compared to a budgeted 54 and in the Memory Care the average census was 19.5 compared to budget of 22. The average census in the Assisted Living was 38.2 compared to budgeted 38.

The main driver in the operating expense overage was Nursing expenses related to market rate wage scale adjustments for all clinical staff in order to remain competitive and attract and retain quality staff, overtime, shift bonuses, and agency staffing. Plant operation and maintenance was also over budget due in large part to electricity costs running much higher than was project by the US Energy Information Administration.

The investment market saw a positive year in 2023 so we were able to recognize positive earnings of $898,740.

We recognized an unrealized loss on the SWAP valuation of ($631,877).

Debt Service Coverage ratio for the twelve months was 1.92x, an increase from 1.43x on December 31, 2022. This increase is in direct correlation to the strong census and service revenues in 2023. Days cash on hand for the year was 319 days compared to 301 days on December 31, 2022. The strong year operationally as well as in the market had a positive affect on days cash.

APPENDIX G

2024 PRO FORMA INCOME STATEMENT

VIRGINIA LUTHERAN HOMES, INC.

Budget Notes & Assumptions Fiscal Year End 12/31/24

Revenue:

Independent Living: Room & Board revenue is predicated on the following assumptions: Occupancy rate of 89% or 171 units occupied with 55 of those units occupied by couples for a total census of 226 residents. Occupancy as of October 31, 2023 was 170 units occupied with 55 of the units including a second person for a total census of 225. We have 7 additional closings expected in December. Life Care monthly service fees are budgeted to increase 4.5% on January 1, 2024. Management is forecasting 24 move-ins for 2024 and 26 move-outs/transfers. We expect to end the current fiscal year with 28 closings, and 21 move outs/transfers. With a budgeted census of 226 compared to the 2023 average of 222, along with a 4.5% increase in monthly service fees we expect monthly service fees to increase $763,965 or 6.83% in fiscal 2024. Total refunds for fiscal 2023 are expected to be just over $2.3 million. We have budgeted $2.2 million in refunds for 2024. Based on the budgeted 24 closings in 2024, we have budgeted $5.9 million in net entrance fees, or an average of $240,497, compared to the average net entrance fee of $225,915 in 2023. Entrance Fees are forecast to increase for the majority of units 5% for the Traditional and 50% refundable plans, and 5% for the 90% refundable plan. The studios and 1-bedroom units are receiving a 2% increase. The reason for the larger increase in these units and in the 90% refundable plan is a continuation of the process begun a few years ago to gradually make all the plans actuarially equivalent and to get closer to competitors pricing and account for the recent boom in the housing market.

Nursing & Rehabilitation Center: Room & Board revenue is based on the following assumptions:

Memory Care Services: Occupancy rate of 81% or 21 residents per day. This unit is comprised almost evenly of life care residents and private pay. We have projected a census mix of 10 life care residents and 11 private pay residents. Occupancy in the Memory Care Services unit through October 2023 has averaged 19.4 residents per day, comprised of an average of 9.4 private pay residents and 10.0 life care residents.

Skilled Nursing and Rehabilitation: Budgeted average occupancy of 56 residents per day compared to a licensed capacity of 62 beds, or 90%. Through October 2023 average occupancy in the skilled unit was 55.3.

Management is forecasting the following patient mix:
Private pay 15 residents per day or 27% of total budgeted occupancy. Through October 2023 the average private pay census was 19.3 residents per day. Medicare/Managed Care is forecast at 20 residents per day or 35% of budgeted occupancy. Average Medicare/Managed Care occupancy for the first ten months of fiscal 2023 was 30.8% of the total occupancy or 17 residents per day. Medicaid is budgeted at 11%, or 6 residents

per day. Presently there are 8 Medicaid residents in the NRC. Life care residents are budgeted at 27% or 15 residents per day.

Total budgeted occupancy for both the NRC and Memory Care Services is 77 residents or 87.5%. Private pay rates have been budgeted to increase on average 4.84%. Medicare and Medicaid rates have been forecast to increase on average by 4.59%. Revenue in the Memory Care Services unit & the Nursing and Rehabilitation Center is projected to increase by $400,581 or 4.63% over expected 2023 revenues.

Assisted Living Room & Board: Room & Board is predicated on a 95% occupancy rate or 38 residents per day, with a resident mix of 12 private pays and 26 life care residents. Average occupancy through October 31, 2023 was 38.5 residents per day with private pay occupancy averaging 16.3 per day and life care residents 22.2 per day. Private pay rates for traditional Assisted Living will rise 4.12% - 4.57% on January 1, 2024. Revenues are projected to decrease ($95,927) or 3.58% over expected 2023 revenues. The reason for the budgeted decrease is because we are budgeting fewer private pay than we have averaged in 2023. We are not currently taking more private pay admissions to free up beds for life care residents nearing the need for higher level of care.

Luther Crest: Operating revenue at Luther Crest is forecast to increase 7.40% in fiscal year 2024. Occupancy is budgeted at 95%. The Community is now close to being fully occupied with a waiting list. Room & Board rate adjustments are set annually by the Department of Housing and Urban Development (HUD). Luther Crest's rate is projected to rise on average $26.50 per month on June 1, 2024 or 3.5%. Other Revenue has been forecast to increase minimally over projected 2023.

Brandon Point Offices: Rental Income is forecast to decrease -12.19% over fiscal year 2023 levels. iHeart Media has significantly downsized their rental space so when the new lease takes effect in December 2023, the rent income will decrease approximately $100k annually. As per the loan agreement with Atlantic Union Bank, VLH will increase their rents to cover any shortfalls in order to meet the debt service coverage ratio, which will be approximately $20k in 2024 and has been accounted for in the budget.

Other Revenue: Obligated Group (Brandon Oaks and Virginia Lutheran Homes, Inc.) other revenue has been forecast to remain relatively flat over 2023. Other revenue services provided include salon services, massage therapist, dining additional meals and special functions, laundry and grill revenue outside of the meal plan.

Earned Entrance Fee Revenue: Non-cash Earned Entrance Fee revenue is projected to decrease slightly based on historical norms, and the previous three-year average. Over the past three years 88% of new entrants have chosen a traditional contract which carry a lower entrance fee compared to the 50% or 90% contract plan.

Non-Operating Revenue: Management felt it prudent to budget a nominal amount, $165,000, for realized or unrealized earnings from the equity portion of the portfolio in 2024. Any earnings or losses either realized or unrealized are eliminated from the calculation of both Brandon Oaks and the Obligated Group's debt service coverage ratio. The investment portfolio through October 31, 2023 has gained just over $186k in market value. The portfolio's balance as of October 31, 2023 was $12.2 million compared to $11.7 million at the end of 2022. Interest income has been forecasted to be down slightly compared to 2023. Interest income is projected to be $410,000 for 2024.

Expenses:

Salaries & Wages: Employees wages are budgeted to increase on average 2.5% on their respective anniversary date of hire. Total Obligated Group budgeted wages in 2024 are $11,947,640, an increase of $444,452 or 3.9%, over estimated 2023 actual salaries & wages. The total percentage increase over 2023 is higher than the average budgeted because we were not fully staffed in our clinical areas for the majority of 2023 and also did wage adjustments for our clinical staff and transportation that will be the new minimum going forward. We are also adding two new FTE's, and three others that are budgeted to fill at the end of 2024.

Nursing: Overall nursing is expected to increase 3.93%, mainly due to the new clinical wage rates and budgeting fully staffed.

Therapy: Therapy is budgeted to remain relatively flat for 2024, but this hinges on the professional fees from Select Rehab. We switched to contracted Therapy services effective July 1, 2023 and their fees are based off of our billings. So if this fee comes in higher, we should also see higher revenues.

Social Service: Social Service is forecast to increase $8,545. This increase is due to allocating half of a receptionist's time and duties to social service and half to administrative.

Activities/Wellness: Activities/Wellness is forecast to increase by 3.71%. The increase is the addition of a full time activities assistant at the NRC to be filled late in 2024.

Chaplains: Chaplain Expense is budgeted to increase $42,463 compared to 2023 projected. This represents a full year of a second Chaplain, who was hired in May 2023.

Employee Benefits: Employee Benefits are budgeted to increase $292,378 and can be attributed to the 6.3% increase in employee health insurance costs, increase in payroll taxes with the higher budgeted wages and increase in retirement expense with more employees participating. Based on our claim's activity thus far in 2023, we are currently at 83.3% of our projected total funding amount.

Administration & General: Administration and General expenses are budgeted to increase $121,638 or 3.30% in 2024. The bulk of the increase is due to the increase in purchased computer maintenance as most vendors increased their fees by at least 5% in 2024; we have also budged more for legal costs and seminars and training for the CEO and CFO.

Marketing: Marketing is forecast to have a slight decrease in 2024 as we are budgeting fewer closings therefore lower commissions, as well as not having the additional costs of the 30th and 50th anniversary celebrations.

Dietary: Dietary expenses are being budgeted conservatively with an increase of $160,372, or 4.01%. As of January 1, 2024 we will be using Sodexo for management services only and will be doing our own food procurement in house through US Foods and our group purchasing organization (HPSI). HPSI has projected significant savings for us through cost as well as food rebates but we are conservatively not budgeting for those savings. The Sodexo employees are expected to receive wage increases of about 4.5% and management fees are increasing 4.5%.

Plant Operation & Maintenance: Maintenance expenses are projected to increase $117,831 or 4.55% over 2023 projected. The main reason for the increase is expanding our contract with Comfort Systems to cover more of our equipment under preventative maintenance, predominately in the NRC building, which added about $62k to our current contract. The majority of their service calls in 2023 were for equipment not currently covered, so this should eliminate most of those costs which we have reduced for the 2024 budget.

Housekeeping: The increase of $195,048 is due to the new laundry attendant budgeted for the NRC, as well as filling two vacant housekeeping positions in IL as well as MC. Housekeeping has not been fully staffed for most of 2023. We are also budgeting our medical waste disposal maintenance contract with Curtis Bay under Housekeeping instead of Maintenance for 2024.

Interest Expense: Interest Expense is budgeted to remain relatively flat for 2024.

Depreciation & Amortization: Non-cash depreciation and amortization expenses are budgeted to increase $195,039 with the anticipated capital improvements and unit refurbs.

Fund Raising & Development: Will increase by $10,161 or 10.24% compared to 2023.

Capital Expenditures Budget:

Management is recommending a total of $2.1 million in capital additions for the Obligated Group. Some of the major items requested this year include: $850,000 for unit refurbishments in Independent Living, which is a continuation of our plan to renovate units as they become available. With the main building 30 years old, bringing the units up to today's standards are running $50,000 - $125,000 per unit or more for combos. We are putting in new cabinetry, granite counter tops, and adding new stainless-steel appliances, all in an effort to make the units more modern and attractive to potential new residents. Some of the other significant capital additions include: $160,000 to re-tile the kitchen floor and buy new dining room chairs, furniture and carpeting in IL and AL; $62,000 for new washing machines and a new laundry press; mini split replacements in the NRC and Daikin tie-in $44,000.

Luther Crest has budgeted $64,500 in capital additions. Included in the Capital Budget are: replacement of ten PTAC units, hot water heaters, appliances and general unit refurbs.

Summary:

The Obligated group is forecasting a 3.46% increase in operating revenue in 2024 or $966,864. Operating expenses are budgeted to increase $1,403,816 or 5.07%, for the reasons outlined above. Budgeted change in net assets result in a projected increase of $595,807 compared to the current year projected increase of $2,817,591. With the projected 24 new entrants in 2024 and refunds budgeted at $2.2 million, the Obligated Group is forecasting net entrance fees of $3.7 million. With the expected 28 new move-ins in 2023 net entrance fees in 2023 should be approximately $3.9 million. Obligated Group is forecasting to generate, after bond payments of $1,596,139 and proposed capital expenditures of $2.1 million, free cash flow of $1.2 million, increasing budgeted days of cash on hand from the current 279 days to 292 days, comparing favorably to the bond covenant requirement of 120 days.

Luther Crest is forecasting a decrease in net assets of ($15,975) compared to a projected surplus loss of ($23,562) this fiscal year. Revenues are forecast to increase 7.40% with expenses budgeted to increase 4.87%.

Brandon Point Offices is forecasting a pre-tax surplus of $70,231, compared to the projected surplus of $141,141 in fiscal 2023. We have assumed no new tenants for 2024. The main difference between the 2023 estimated and the 2024 projected surplus is the largest tenant reducing the square footage they occupy by more than half.

Budgeted debt service coverage ratios are as follows: Brandon Oaks 1.79, compared to the required debt service coverage ratio of 1.20, and the Obligated Group 1.92 compared to the required 1.00. Luther Crest 1.29 compared to the required 1.00, and Brandon Point Offices of 1.00 compared to the required 1.00.

Coverage ratios through October 31, 2023: Brandon Oaks 1.67, and the Obligated Group 1.78, Luther Crest 1.14, and Brandon Point Offices 1.23.

VIRGINIA LUTHERAN HOMES, INC.
2024 PROPOSED BUDGET

OPERATING ACTIVITIES	Brandon Oaks	VLH Corporate	Obligated Group
Service Revenue			
Independent Living	$ 11,945,304	$ -	$ 11,945,304
Assisted Living (net of contractual allowances)	2,583,176	-	2,583,176
Nursing & Rehabilitation Center (net of contracural allowances)	9,048,939	-	9,048,939
Earned Entrance Fees	3,931,338	-	3,931,338
Management Fees	-	2,492,838	2,492,838
Revenue - Other	612,900	18,000	630,900
Entrance fee 4% Administration fee	245,307	-	245,307
Total Operating Revenue	28,366,964	2,510,838	30,877,802
Operating Expenses			
Nursing	6,402,533	-	6,402,533
Therapy	940,000	-	940,000
Social Service	76,077	-	76,077
Activities/Wellness	481,659	-	481,659
Chaplains	141,380	24,529	165,909
Employee Benefits	2,371,497	285,551	2,657,048
Management Fees	1,985,687	-	1,985,687
Administrative & General	2,231,749	1,614,566	3,846,315
Marketing	585,920	70,174	656,094
Dietary	4,148,750	-	4,148,750
Plant Operation & Maintenance	2,519,908	184,003	2,703,911
Housekeeping	1,126,997	-	1,126,997
Finance and Interest Expense	1,189,771	-	1,189,771
Depreciation and Amortization	4,552,962	98,956	4,651,918
Provision for Doubtful Accounts	43,976	-	43,976
Total Operating Expenses	28,798,866	2,277,779	31,076,645
NET OPERATING REVENUE	(431,902)	233,059	(198,843)
NON OPERATING ACTIVITIES			
Investment Income	250,000	325,000	575,000
Contributions	-	79,000	79,000
Unrealized Change in Interest Rate Swap Evaluation	250,000	-	250,000
Development Expenses	-	109,352	109,352
NET NON-OPERATING REVENUE	500,000	294,648	794,648
NET CHANGE IN NET ASSETS	68,098	527,707	595,805

VIRGINIA LUTHERAN HOMES
SIGNIFICANT BUDGET ASSUMPTIONS

BRANDON OAKS
PROPOSED BUDGET

	2024	**2023**
Occupancy		
Independent Living:	89%	85.00%
Assisted Living:	95%	95.00%
Nursing & Rehabilitation Center:	90%	87.10%
Memory Care:	81%	84.62%
Percentage Increase in IDL Monthly Service Fees – Single:	4.5%	6.0%
Second Person Fee	$1,950	$1,850
Increase in Assisted Living Room Charges:	4.38%	4.60%
Increase in Memory Care Charges	2.15%	1.61%
Increase in Nursing and Rehabilitation Center Fees:		
Semi-Private Room	5.14%	4.66%
Private Room	4.55%	6.45%
Increase in Entrance Fees (Single Occupancy):		
Traditional Plan	4.42%	1.68%
50% Refundable Plan	4.42%	1.70%
90% Refundable Plan	4.42%	2.50%
Entrance Fees – Second Person:		
Traditional Plan	$42,000	$40,000
50% Refundable Plan	$54,000	$49,000
90% Refundable Plan	$67,000	$62,000
Daily Room Charge for Assisted Living:	$245.00	$235.00
Daily Room Charge for Memory Care	$285.00	$279.00
Daily Room Charge for Nursing and Rehabilitation Center:		
Semi-Private Room	$307.00	$292.00
Private Room	$345.00	$330.00

VIRGINIA LUTHERAN HOMES
SIGNIFICANT BUDGET ASSUMPTIONS

BRANDON OAKS
PROPOSED BUDGET

	2024	**2023**
Resident Mix of Assisted Living:		
Private Pay	12	10
Life Care	26	28
Total	38	38
Resident Mix of Memory Care Beds:		
Private Pay	11	6
Life Care	10	16
Total	21	22
Resident Mix of Nursing and Rehabilitation Center Beds:		
Private Pay	15	12
Medicaid	6	6
Life Care	15	16
Medicare – Part A	20	20
Total	56	54
Targeted Move-ins for Independent Living Units:	24	28
Salary Increase	2.50%	2.50%
Budgeted Capital Expenditures	$2.1M	$1.70M
Budgeted Free Cash Flow	$1.2M	$2.40M
Budgeted Debt Service Coverage Ratio	1.92	2.28

APPENDIX H

RESERVE FUNDING

RESERVE FUNDING

Deferred revenue from advance fees, Refundable advance fees relate to the entrance fees paid by Brandon Oaks Life care residents under the Residency Agreement upon occupancy of an independent living unit. Management expects to maintain entrance fees at rates that will be competitive in the market place, along with maintaining sufficient reserves to fund future service obligations. Entrance fees are assumed by management to increase annually.

Residents pay 10% of the entrance fee at the time of signing the Reservation Agreement. The remaining 90% of the entrance fee is payable within 90 days after the 10% deposit has been paid or at the time of move-in, whichever occurs first.

Brandon Oaks offers three types of Entrance fee plans: Traditional entrance fee plan, a 50% refundable entry fee plan, or a 90% refundable entry fee plan. Residents may elect a Limited Medical Assistance Option in each of the three plans. Brandon Oaks will provide health care services at the prevailing monthly service fee for a limited period of 365 cumulative days. As of December 31, 2023 the contract holder census is: 80.1% traditional plan, 4.4% 50% refundable plan, 14.7% 90% refundable plan, and 0.8% limited medical option plan. Depending upon the timing and the type of entrance fee, fees may be refunded if a resident withdraws due to death or other reasons. Refunds are calculated as follows:

- Residents selecting the traditional plan will be reimbursed a portion of their adjusted entrance fee equal to the adjusted entrance fee (without interest) paid less two percent (2%) for each month or fraction thereof, from the occupancy date to the date the independent living unit is vacated. After fifty (50) months, there shall be no refund of the adjusted entrance fee.

- Residents selecting the 50% refundable plan will receive at least 50% of their original adjusted fee regardless of the reason or timing for withdrawal, without interest. The refundable amount will be equal to the adjusted entrance fee, less two percent (2%) per month or fraction thereof for the first twenty-five (25) after the occupancy date. After twenty-five (25) months, the adjusted entrance fee refund will be 50% of the adjusted entrance fee.

- Residents selecting the 90% refundable plan will receive 90% of their original adjusted entrance fee regardless of the reason or timing for withdrawal, without interest.

For Traditional Plans, the refunds, if any, will be paid within 120 days from the date the vacated apartment is available for re-occupancy. For the 50% and 90%, refunds are not payable until such time as Brandon Oaks receives the full Entrance fee from a new resident for the unit and the rescission period (seven days) for the new resident has expired.

For residents selecting the Limited Medical Assistance Option, the refunds if any will be calculated exactly the same as the three plans listed above, dependent on the plan they elect.

The traditional entrance fees are amortized over the average life expectancy of the residents as determined by actuarial tables. Brandon Oaks actuaries have estimated the average life expectancy of future female entrants into the Independent Living units at 9.6 years and male entrants at 8.7 years, based on the average entrance age of 81. The 50% and 90%, refundable entrance fees are amortized over the expected life of the facility or 30 years for pre 2003 contracts. For post 2002 contracts the refundable portion of all contracts will be amortized over the life of the resident.

Based on the 2023 actuarial report as required by SOP 90-8, Brandon Oaks is not required to set aside any amount to fund advanced healthcare costs.

RESERVE FUNDS

As of December 31,	2023	2022
Board Designated Reserves:		
Operating Reserves	$7,986,479	$6,926,480
Endowment Funds	$ 66,141	-
Trustee Held Reserves		
Temporarily Restricted Funds	938,072	979,743
Permanently Restricted Funds	407,032	393,189
Total Reserve Funds	$9,397,724	$ 8,299,412

APPENDIX I

ANNUAL INCREASE IN MONTHLY FEES

Brandon Oaks
Annual Increase in Monthly Fees

Unit Style	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Studio A	$ 94.00	$ 80.00	$ 82.00	$ 65.00	$ 67.00	$ 69.00	$ 66.00	$ 68.00	$ 76.00	$66.00	$67.00	$83.00	$ 170.00	$ 135.00
Studio B	$ 102.00	$ 87.00	$ 89.00	$ 71.00	$ 73.00	$ 75.00	$ 72.00	$ 74.00	$ 83.00	$71.00	$73.00	$90.00	$ 185.00	$ 147.00
1 Bedroom A	$ 117.00	$ 100.00	$ 102.00	$ 81.00	$ 84.00	$ 86.00	$ 83.00	$ 85.00	$ 95.00	$82.00	$84.00	$103.00	$ 213.00	$ 169.00
1 Bedroom B	$ 124.00	$ 106.00	$ 108.00	$ 86.00	$ 89.00	$ 91.00	$ 88.00	$ 90.00	$ 101.00	$87.00	$89.00	$109.00	$ 225.00	$ 179.00
1 Bedroom w/ Den	$ 134.00	$ 114.00	$ 117.00	$ 93.00	$ 96.00	$ 99.00	$ 95.00	$ 97.00	$ 109.00	$94.00	$96.00	$118.00	$ 243.00	$ 193.00
2 Bedroom	$ 156.00	$ 133.00	$ 136.00	$ 108.00	$ 112.00	$ 115.00	$ 110.00	$ 113.00	$ 127.00	$109.00	$112.00	$137.00	$ 283.00	$ 225.00
2 Bedroom Cottage	$ 182.00	$ 155.00	$ 159.00	$ 127.00	$ 130.00	$ 134.00	$ 129.00	$ 132.00	$ 148.00	$127.00	$130.00	$160.00	$ 330.00	$ 263.00
2 Bedroom Cottage - Large			New	$ 136.00	$ 140.00	$ 144.00	$ 138.00	$ 142.00	$ 159.00	$136.00	$140.00	$172.00	$ 354.00	$ 282.00
Deluxe A & B	$ 182.00	$ 155.00	$ 159.00	$ 127.00	$ 130.00	$ 134.00	$ 129.00	$ 132.00	$ 148.00	$127.00	$130.00	$160.00	$ 330.00	$ 263.00
Deluxe D	$ 193.00	$ 164.00	$ 168.00	$ 134.00	$ 138.00	$ 142.00	$ 136.00	$ 140.00	$ 157.00	$135.00	$138.00	$170.00	$ 350.00	$ 278.00
Loblolly	$ 195.00	$ 166.00	$ 170.00	$ 136.00	$ 140.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Deluxe Luxury	$ 195.00	$ 166.00	$ 170.00	$ 136.00	$ 140.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Village Homes A	$ 185.00	$ 158.00	$ 162.00	$ 129.00	$ 133.00	$ 136.00	$ 131.00	$ 135.00	$ 151.00	$129.00	$133.00	$163.00	$ 336.00	$ 267.00
Village Homes B	$ 195.00	$ 166.00	$ 170.00	$ 136.00	$ 140.00	$ 144.00	$ 138.00	$ 142.00	$ 159.00	$136.00	$140.00	$172.00	$ 354.00	$ 282.00
2 Bedroom Combo A	$ 186.00	$ 158.00	$ 162.00	$ 129.00	$ 133.00	$ 137.00	$ 131.00	$ 135.00	$ 151.00	$130.00	$133.00	$164.00	$ 337.00	$ 268.00
2 Bedroom Combo B	$ 189.00	$ 161.00	$ 165.00	$ 131.00	$ 135.00	$ 139.00	$ 133.00	$ 137.00	$ 154.00	$132.00	$135.00	$166.00	$ 343.00	$ 272.00
2 Bedroom Combo D	$ 191.00	$ 162.00	$ 167.00	$ 133.00	$ 136.00	$ 141.00	$ 135.00	$ 139.00	$ 155.00	$133.00	$137.00	$168.00	$ 346.00	$ 275.00
Dogwood														
1 Bedroom, 1.5 Bath	$ 167.00	$ 142.00	$ 146.00	$ 116.00	$ 119.00	$ 123.00	$ 118.00	$ 121.00	$ 136.00	$117.00	$120.00	$147.00	$ 303.00	$ 241.00
2 Bedroom, 2 Bath (1269)	$ 180.00	$ 153.00	$ 157.00	$ 125.00	$ 129.00	$ 132.00	$ 127.00	$ 130.00	$ 146.00	$126.00	$129.00	$158.00	$ 326.00	$ 259.00
2 Bedroom, 2 Bath (1343)	$ 186.00	$ 158.00	$ 162.00	$ 129.00	$ 133.00	$ 137.00	$ 131.00	$ 135.00	$ 151.00	$130.00	$133.00	$164.00	$ 337.00	$ 268.00
2 Bedroom, w/Den, 2 Bath	$ 189.00	$ 161.00	$ 165.00	$ 131.00	$ 135.00	$ 139.00	$ 133.00	$ 137.00	$ 154.00	$132.00	$135.00	$166.00	$ 343.00	$ 272.00
2 BR, w/Den, 2 Bath (end unit)	$ 194.00	$ 165.00	$ 169.00	$ 136.00	$ 139.00	$ 143.00	$ 137.00	$ 141.00	$ 158.00	$135.00	$139.00	$171.00	$ 352.00	$ 279.00
Pine Crest														
2 Bedroom, 2 Bath (1500)	New	$ 153.00	$ 157.00	$ 125.00	$ 129.00	$ 133.00	$ 127.00	$ 131.00	$ 147.00	$126.00	$129.00	$159.00	$ 327.00	$ 260.00
2 Bedroom, 2 Bath (1550)	New	$ 161.00	$ 166.00	$ 132.00	$ 136.00	$ 140.00	$ 134.00	$ 138.00	$ 154.00	$133.00	$136.00	$167.00	$ 344.00	$ 274.00
2 Bedroom, w/Den, 2 Bath	New	$ 170.00	$ 174.00	$ 138.00	$ 143.00	$ 147.00	$ 141.00	$ 145.00	$ 162.00	$139.00	$143.00	$176.00	$ 381.00	$ 288.00
Pine Ridge														
2 Bedroom, 2 Bath (1500)							New	$ 138.00	$ 155.00	$133.00	$136.00	$168.00	$ 345.00	$ 274.00
2 Bedroom, w/Den, 2 Bath							New	$ 145.00	$ 163.00	$140.00	$143.00	$176.00	$ 363.00	$ 288.00
Second Resident	$ 48.00	$ 75.00	$ 75.00	$ 75.00	$ 75.00	$ 67.00	$ 56.00	$ 59.00	$ 46.00	$39.00	$40.00	$50.00	$ 150.00	$ 100.00