National Lutheran, Inc.
d/b/a National Lutheran Communities & Services

Consolidated Financial Report

December 31, 2021

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
National Lutheran, Inc.
d/b/a National Lutheran Communities & Services

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Lutheran, Inc. d/b/a National Lutheran Communities & Services (Organization), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated 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.

Emphasis of Matters

As discussed in Note 17 to the consolidated financial statements, the Organization received government funding through the Small Business Administration (SBA) Paycheck Protection Program (PPP) and the U.S. Department of Health and Human Services (HHS) Provider Relief Fund (PRF) consequent to the operating conditions created by the COVID-19 pandemic. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Audits of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analyses rather than to present the financial position, results of operations, and cash flows of the individual companies and 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 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

New Castle, Pennsylvania
April 21, 2022

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

ASSETS	**2021**	2020
CURRENT ASSETS		
Cash and cash equivalents	**$ 6,362,913**	$ 4,520,162
Assets whose use is limited, restricted cash	**-**	237,221
Accounts receivable, net	**3,435,671**	3,257,917
Prepaid expenses and other assets	**1,705,704**	1,694,772
Current portion of pledges receivable	**80,556**	105,502
Current portion of assets whose use is limited	**13,831,923**	10,254,788
Total current assets	**25,416,767**	20,070,362
ASSETS WHOSE USE IS LIMITED, net	**19,346,352**	26,726,105
INVESTMENTS	**93,065,739**	84,436,254
PROPERTY AND EQUIPMENT, net	**312,009,010**	319,521,137
FUNDS HELD IN TRUST BY OTHERS	**2,810,476**	2,702,434
GOODWILL	**2,000,000**	2,000,000
RIGHT-OF-USE ASSETS	**1,527,719**	438,691
PLEDGES RECEIVABLE, net	**25,453**	44,379
Total assets	**$ 456,201,516**	$ 455,939,362

See Notes to Consolidated Financial Statements

LIABILITIES AND NET ASSETS	2021	2020
CURRENT LIABILITIES		
Accounts payable, trade	$ 3,074,977	$ 5,799,284
Accounts payable, construction	-	3,076,205
Accrued interest	4,833,423	4,937,583
Accrued expenses	7,690,737	7,144,301
Lines of credit	7,194,363	7,530,734
Current portion of long-term debt	12,810,525	3,055,232
Refundable advances	4,198	490,528
Total current liabilities	35,608,223	32,033,867
RESIDENT DEPOSITS	4,690,166	6,200,723
DEFERRED REVENUE FROM ENTRANCE FEES	60,482,482	38,199,919
REFUNDABLE ENTRANCE FEES	97,034,383	65,391,495
LONG-TERM DEBT, net	173,704,362	214,771,306
LEASE LIABILITY	1,527,719	436,143
ANNUITIES PAYABLE, net	65,015	70,045
Total liabilities	373,112,350	357,103,498
NET ASSETS		
Without donor restrictions	76,222,526	92,785,082
With donor restrictions	6,866,640	6,050,782
Total net assets	83,089,166	98,835,864
Total liabilities and net assets	$ 456,201,516	$ 455,939,362

See Notes to Consolidated Financial Statements

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue:		
Net resident service revenue, including amortization of entrance fees 2021 $7,583,917; 2020 $7,802,511	**$ 74,813,688**	$ 73,839,816
Provider Relief Funds	**2,483,490**	3,072,613
Paycheck Protection Program contribution	**-**	9,000,500
(Loss) on sale or disposal of property and equipment	**(83,345)**	(3,416)
Net assets released from restrictions, operations	**50,276**	133,360
Total operating revenue	**77,264,109**	86,042,873
Operating expenses:		
Salaries and wages	**37,543,751**	39,910,239
Employee benefits and payroll taxes	**8,598,127**	9,640,891
Professional fees	**8,564,979**	5,982,450
Ancillary and medical	**4,878,844**	5,692,888
Supplies	**1,922,066**	2,363,378
Food services	**3,143,294**	2,850,686
Utilities	**3,382,316**	2,677,924
Depreciation	**17,242,655**	14,781,395
Interest	**11,917,552**	8,489,361
Insurance	**1,425,647**	1,266,782
Real estate taxes	**1,928,421**	1,176,229
Repairs and maintenance	**1,580,685**	1,764,626
Advertising and marketing	**1,441,842**	1,365,086
Licenses, dues, and subscriptions	**2,115,068**	2,013,137
Other operating expenses	**1,488,000**	1,311,893
Bad debt expense	**243,865**	511,907
Grants awarded to others	**-**	134,882
Total operating expenses	**107,417,112**	101,933,754
(Deficiency) of operating revenue over expenses	**(30,153,003)**	(15,890,881)
Nonoperating revenue (expenses):		
Contributions	**239,653**	1,638,501
Other income	**844,460**	1,532,952
Loss on impairment	**-**	(7,148,969)
Interest and dividends	**2,243,156**	2,263,530
Realized gains (losses)	**4,219,418**	(580,924)
Unrealized gains	**4,910,285**	4,398,206
Total nonoperating revenue	**12,456,972**	2,103,296
(Deficiency) of operating and nonoperating revenue over expenses	**(17,696,031)**	(13,787,585)

See Notes to Consolidated Financial Statements

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
Years Ended December 31, 2021 and 2020

	2021	2020
Other changes:		
Fair market value adjustment for affiliation	$ -	$ 17,855,151
Inherent contribution from affiliation	-	663,153
Unrealized gains	2,177,536	1,090,930
Loss on extinguishment of debt	(905,487)	-
Loss on discontinued operations	(147,939)	-
Net assets released from restriction, capital purchases	9,365	94,785
Total other changes	**1,133,475**	19,704,019
Change in net assets without donor restrictions	**$ (16,562,556)**	$ 5,916,434

See Notes to Consolidated Financial Statements

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
(Deficiency) of operating and nonoperating revenue over expenses	**$ (17,696,031)**	$ (13,787,585)
Fair market value adjustment for affiliation	**-**	17,855,151
Inherent contribution from affiliation	**-**	663,153
Unrealized gains	**2,177,536**	1,090,930
Loss on extinguishment of debt	**(905,487)**	-
Loss on discontinued operations	**(147,939)**	-
Net assets released restriction, capital purchases	**9,365**	94,785
Change in net assets without donor restrictions	**(16,562,556)**	5,916,434
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	**803,564**	1,363,228
Inherent contribution from affiliation	**-**	87,284
Funds held in trust income	**15,466**	-
Change in value of funds held in trust by others	**56,469**	47,574
Net assets released from restriction	**(59,641)**	(228,145)
Change in net assets with donor restrictions	**815,858**	1,269,941
Change in net assets	**(15,746,698)**	7,186,375
Net assets:		
Beginning	**98,835,864**	91,649,489
Ending	**$ 83,089,166**	$ 98,835,864

See Notes to Consolidated Financial Statements

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (15,746,698)	$ 7,186,375
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,242,655	14,781,395
Provision for bad debts	243,865	511,907
Fair market value adjustment for affiliation	-	(17,855,151)
Assets and liabilities acquired through affiliation, net	-	(493,351)
Amortization of deferred financing costs	539,096	303,110
Amortization of entrance fees	(7,583,917)	(7,802,511)
Proceeds from non-refundable entrance fees, turnover units	4,540,268	4,501,382
Loss on extinguishment of debt	905,487	-
Loss on impairment	-	7,148,969
Realized gains	(4,219,418)	580,924
Unrealized (gains)	(7,087,821)	(5,489,136)
Change in valuation of funds held in trust by others	(56,469)	(682,880)
Change in annuities payable, net	(5,030)	(11,356)
Loss on sale or disposal of property and equipment	83,345	3,416
Changes in assets and liabilities:		
Accounts receivable	(421,619)	797,456
Prepaid expenses and other assets	(8,384)	(539,911)
Accounts payable and accrued expenses	(1,101,053)	4,634,065
Refundable advances	(486,330)	490,528
Net cash provided by (used in) operating activities	(13,162,023)	8,065,231
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from of investments and assets whose use is limited	2,621,948	72,665
Purchases of property and equipment	(14,034,662)	(39,518,945)
Net cash (used in) investing activities	(11,412,714)	(39,446,280)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments) on lines of credit	(336,371)	1,035,762
Proceeds from issuance of long-term debt	13,565,000	30,725,000
Principal payments on long-term debt	(45,847,118)	(2,739,187)
Payments for financing costs	(510,510)	(367,135)
Net change in resident deposits	(1,541,807)	(1,354,836)
Proceeds from refundable entrance fees, new and turnover units	63,214,690	6,066,460
Refunds of entrance fees	(6,214,340)	(4,267,521)
Change in pledges receivable, net	43,872	(56,750)
Net cash provided by financing activities	22,373,416	29,041,793

See Notes to Consolidated Financial Statements

	2021	2020
Net (decrease) in cash and cash equivalents and restricted cash	**$ (2,201,321)**	$ (2,339,256)
Cash and cash equivalents and restricted cash:		
Beginning	**35,600,758**	37,940,014
Ending	**$ 33,399,437**	$ 35,600,758
Cash and cash equivalents and restricted cash include:		
Cash and cash equivalents	**$ 6,362,913**	$ 4,520,162
Resident deposits	**4,264,899**	6,089,509
Assets held under trust indenture	**21,510,997**	23,606,266
Cash, restricted by donors or grantors for specific purposes	**1,260,628**	1,384,821
	$ 33,399,437	$ 35,600,758
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid, net of interest capitalized	**$ 11,264,331**	$ 8,761,590
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accounts payable, construction	**$ -**	$ 3,076,205
Accrued expense, capitalized interest	**$ 135,771**	$ 1,180,977

See Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization: National Lutheran, Inc. (NLI), a Maryland not-for-profit corporation, is the parent corporation of a system doing business as National Lutheran Communities & Services (NLCS). NLI is affiliated with the Evangelical Lutheran Church in America (ELCA).

NLI provides management and support services and is the sole Member or parent of the following subsidiaries:

National Lutheran Home for the Aged, Inc. (NLHA) is a Maryland not-for-profit corporation that is a supporting organization to NLCS.

The Village at Rockville, Inc. (TVAR), a not-for-profit corporation originally incorporated in the District of Columbia, operates a retirement community in Rockville, Maryland, which includes 241 independent living units, 50 assisted living units, and 160 skilled nursing beds. The Organization received a certificate of occupancy for 130 independent living units in December 2020 for the Glenmere expansion. The expansion project was placed into service in January 2021.

The Village at Orchard Ridge, Inc. (TVOR), a Virginia not-for-profit corporation, operates a continuing care retirement community in Winchester, Virginia. The community opened during February 2013 and consists of 324 independent living units, 20 skilled nursing units, and 18 assisted living units. Effective January 1, 2022, independent living units were reduced to 308.

The Legacy at North Augusta, Inc. (TLNA), a Virginia not-for-profit corporation, operates independent and assisted living services in Staunton, Virginia, and offers 121 dual-purpose assisted living and independent living units.

The Village at Providence Point, Inc. (TVPP), a Maryland not-for-profit corporation, was formed to acquire and develop property located in Annapolis, Maryland, as a continuing care retirement community. The Organization will offer independent living apartments, cottages, and health care suites. TVPP has entered into a land purchase option and developer agreements related to the project. The project is in its planning and development stages and TVPP began incurring costs related to this project in 2019 while in previous years costs were funded by National Lutheran, Inc. During July 2020, TVPP received approvals from the Maryland Department of Aging and began marketing the project. In February 2022, the Organization received planning commission approval of its planned unit development application.

Augsburg Lutheran Home of Maryland, Inc. d/b/a The Village at Augsburg (TVAA), a not-for-profit corporation, operates a retirement community in Baltimore, Maryland, which includes 134 independent living units, 64 assisted living units, and 107 skilled nursing beds.

Impact 1890, LLC was incorporated as a Maryland limited liability corporation to make grants exclusively for non-profit organizations that promote the health and welfare of senior citizens.

NLI was a 90 percent owner of Petalo, LLC. Petalo, LLC was established as a for-profit entity for the purposes of developing and marketing software and other technology solutions for providers of care to senior citizens. Petalo, LLC is no longer an operating entity as of December 31, 2020. The entity was dissolved in June 2021.

Community Services, LLC was incorporated as a Maryland limited liability corporation to own and manage community clinics and home health organizations for the benefit of seniors. Community Services, LLC is the sole member of the following corporations:

myPotential Maryland, LLC (myPotential MD) is a Maryland limited liability corporation which operates a home care business for seniors in Maryland.

myPotential Virginia, LLC (myPotential VA) is a Virginia limited liability corporation which operates a home care business for seniors in Virginia.

myPotential Clinic-Rockville, LLC (Rockville Clinic) is a Maryland limited liability corporation which began operations in 2017 and operated a community clinic for the benefit of seniors. Rockville Clinic is no longer an operating entity as of October 2021.

Principles of consolidation: The consolidated financial statements include the accounts of NLI and its subsidiaries, NLHA, TVAR, TVOR, TLNA, TVPP, TVAA, Petalo, LLC, Impact 1890, LLC, and Community Services, LLC and its subsidiaries, myPotential MD, myPotential VA, and Rockville Clinic, after elimination of all significant interrelated balances and transactions, and are collectively referred to as the Organization.

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

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

Cash and cash equivalents and deposit risk: The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, excluding those classified as investments and assets whose use is limited. In the normal course of business, the Organization may have deposits with a local financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable from residents are reported at estimated net realizable value taking into account estimated implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in health care coverage, and other collection indicators. For receivables associated with services provided to residents who have third-party coverage (which includes deductible and payment balances for which third-party coverage exists for part of the bill), the Organization analyzes contractually due amounts and provides an allowance for explicit price concessions, if necessary. Throughout the year, management assesses the adequacy of the estimated price concessions based upon its review of accounts receivable payor composition and aging, taking into consideration recent experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to resident service revenue and to establish an appropriate estimate for price concessions. The Organization has included a reserve within the estimated implicit price concessions of $242,687 and $303,017 as of December 31, 2021 and 2020, respectively, which have been recorded as reductions to resident accounts receivable.

Assets whose use is limited and investments: Assets held as operating reserves, Provider Relief Funds, resident deposits, and assets held under indenture agreements are classified as assets whose use is limited and are reported separately on the accompanying consolidated balance sheets. Assets whose use is limited, restricted cash represents the unused Provider Relief Funds as of December 31, 2020, that were used in the next six months to offset lost revenue and qualified expenditures associated with the COVID-19 pandemic (Note 17). Assets whose use is limited and investments are reported on the accompanying consolidated balance sheets at fair value, based on quoted market prices as provided by a national exchange, excluding an alternative investment which is valued at net asset value (NAV) per share.

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

Beneficial interest in supporting organization: TVAR, TVOR, and TLNA (supported affiliates) maintain a support agreement with NLI and NLHA relative to their long-term debt. NLI is the parent to the supported affiliates and NLHA. The support agreement outlines that NLI and NLHA will provide access to capital to maintain the supported affiliates' long-term debt requirements. Although the support agreement is with both NLI and NLHA, NLHA holds the investments that are providing the beneficial interest to the supported affiliates.

Property and equipment: Property and equipment are reported at cost or, if donated, at fair value. Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives. The Organization's capitalization policy is to review invoices in excess of $5,000 to determine if they should be capitalized. The general range of estimated useful lives is five to twenty years for furniture and equipment and fifteen to forty years for buildings and building improvements and land improvements. Expenditures that extend the useful lives of the asset or significantly increase their capacity are capitalized. The Organization follows the policy of capitalizing interest as a component of the cost of the asset acquired or constructed.

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

Pledges receivable: Pledges receivable are stated at outstanding balances and are discounted for their present value. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. An allowance for uncollectable pledges is based on management's assessment of the collectability of pledges receivable and was $26,995 and $28,600 as of December 31, 2021 and 2020, respectively.

Funds held in trust by others: The Organization has been named as a beneficiary of a number of perpetual and charitable remainder trusts which are administered and controlled by independent trustees. The trusts are recorded as contribution revenue when the Organization is notified of the trust's existence. The Organization receives the distributions of earnings from perpetual trusts whose principal is to be held in perpetuity. The earnings from these trusts are recorded as investment income. Depending upon the terms of the remainder trusts, the Organization may receive payments over a specified period of time or at a future date.

Perpetual trusts are valued based upon the fair value of the underlying investments. The change in the fair value of perpetual trusts is reported as a change in net assets with donor restrictions. The fair value of remainder trusts are based upon a calculation of the present value of the estimated future benefits to be received when the trust's assets are distributed and are recorded as net assets with donor restrictions.

Gift annuities: Liabilities related to gift annuities issued by the Organization are recorded at the present value of the future payments based on the donor's life expectancy. Amounts donated in excess of the liability are recorded as contributions without donor restrictions on the consolidated statements of operations. The Organization uses published mortality tables adopted by the United States Internal Revenue Service (IRS) and an assumed discount rate of approximately 0.05 percent to 7.50 percent to determine the present value of the actuarially determined liability.

Entrance fees: TVAR's policy requires payment of an entrance fee for admittance to an independent living residence under a type C fee-for-service contract. The Organization currently offers a traditional entrance fee, 50% guaranteed refund, and a 90% guaranteed refund entrance fee option. The refundable portion of the traditional entrance fee is calculated based on a 60 month amortization period after applying a 10% administrative fee. After 60 months of occupancy, no refund is payable to the resident. The refundable portion of the 50% entrance fee is calculated based on a 30 month amortization period after applying a 10% administrative fee. After 30 months of occupancy, the refund payable to the resident is limited to 50% of the entrance fee. The 90% entrance fee guarantees a refund of the entrance fee paid less a

10% administrative fee. Contracts containing varying refund provisions no longer offered by the Organization to new residents remain in force.

TVAR also has a rental agreement requiring no entrance fee.

TVOR's policy requires payment of an entrance fee for admittance to an independent living residence under a type C fee-for-service contract. TVOR currently offers a traditional entrance fee, 50% guaranteed refund, and a 100% guaranteed refund entrance fee option. The refundable portion of the traditional entrance fee, not offered in the Cottages, is calculated based on an 18 month amortization period after applying a 10% administrative fee. After 18 months of occupancy, no refund is payable to the resident. The refundable portion of the 50% entrance fee is calculated based on an 8 month amortization period after applying a 10% administrative fee. After 8 months of occupancy, the refund payable to the resident is limited to 50% of the entrance fee. The 100% entrance fee guarantees a 100% refund of the entrance fee paid. Contracts containing varying refund provisions no longer offered by TVOR to new residents remain in force.

TVOR also has a rental agreement requiring no entrance fee on select independent living units, but a one-time community fee of $3,000 applies.

At TLNA, each resident executes a Resident's Admission and Service Agreement which includes a one-time fee of $1,000, payable at the time of move-in. The fee is non-refundable except that such a fee would be refundable if a resident gives notice of their intention to terminate the Residency Agreement within 30 days of moving into the residential unit. Monthly service fees and charges, including the room rate, are payable in advance.

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

The Organization's non-refundable portion of the entrance fees are accounted for as deferred revenue from entrance fees and are amortized into earned revenue using the straight-line method over the estimated remaining life of the residents over the contractual term of the contract. At the time of death or contract termination, the remaining nonrefundable balance is recognized as revenue. The remaining life expectancy of the residents is adjusted annually based on actuarial information. The refundable portion of the entrance fees is not amortized into income and is reported as refundable entrance fees liability. Contractual refund obligations amounted to $97,034,383 and $65,391,495 as of December 31, 2021 and 2020, respectively.

Deferred financing costs: Financing costs were incurred in connection with the issuance of long-term debt. These costs are reported on the accompanying consolidated balance sheets as a reduction of long-term debt and are being amortized over the life of the debt using the straight-line method, which approximates the effective interest method. The amortization of deferred financing costs, included in interest expense on the accompanying consolidated statements of operations, totaled $539,096 and $303,110 for the years ended December 31, 2021 and 2020, respectively. Accumulated amortization was $2,664,372 and $2,125,276 as of December 31, 2021 and 2020, respectively. Capitalized deferred financing costs equaled $35,395 and $205,440, as of December 31, 2021 and 2020, respectively. The Organization redeemed in full its 2018C Revenue Bonds (TVAR) during 2021. Accordingly, the Organization recognized a loss of $905,487 on unamortized debt issuance costs.

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

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

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

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

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

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

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

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

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

Home Care/Home Health: Revenue consists of home care services and home health services. Home care revenue includes services provided by caregivers to assist with activities of daily living and other services. Home health revenue includes medical care provided by skilled medical professionals and is often prescribed as part of a care plan. The Organization has determined that home care agency revenue is considered one performance obligation which is satisfied over time as services are provided. Therefore, home care agency revenue is recognized on a daily basis as services are rendered.

Other resident services: Other resident services revenue includes services such as housekeeping, laundry, transportation, medical supplies, and other revenue from residents. The Organization has determined that other resident services revenue is considered one performance obligation which is satisfied over time as services are provided. Therefore, other resident services revenue is recognized on a daily basis as services are rendered.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which during the contractual term of the contract approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenue from entrance fees on the consolidated balance sheets. Amortization of nonrefundable entrance fees included in independent living revenue was $7,583,917 in 2021 and $7,802,511 in 2020.

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

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

	2021					
	Skilled Nursing	**Assisted Living**	**Independent Living**	**Home Care / Home Health**	**Other Resident Services**	**Total**
Self-pay	**$ 7,472,057**	**$ 13,201,491**	**$ 18,971,090**	**$ 1,224,417**	**$ 864,712**	**$ 41,733,767**
Medicare	**10,921,966**	**-**	**-**	**-**	**-**	**10,921,966**
Medical Assistance	**12,917,357**	**-**	**-**	**-**	**-**	**12,917,357**
Commercial insurance	**1,656,681**	**-**	**-**	**-**	**-**	**1,656,681**
Amortization of nonrefundable entrance fees	**-**	**39,644**	**7,544,273**	**-**	**-**	**7,583,917**
Total	**$ 32,968,061**	**$ 13,241,135**	**$ 26,515,363**	**$ 1,224,417**	**$ 864,712**	**$ 74,813,688**

	2020					
	Skilled Nursing	**Assisted Living**	**Independent Living**	**Home Care / Home Health**	**Other Resident Services**	**Total**
Self-pay	$ 6,682,196	$ 13,188,452	$ 17,604,266	$ 1,482,986	$ 388,012	$ 39,345,912
Medicare	12,479,671	-	-	78,238	-	12,557,909
Medical Assistance	12,560,592	-	-	-	-	12,560,592
Commercial insurance	1,572,892	-	-	-	-	1,572,892
Amortization of nonrefundable entrance fees	-	98,269	7,704,242	-	-	7,802,511
Total	$ 33,295,351	$ 13,286,721	$ 25,308,508	$ 1,561,224	$ 388,012	$ 73,839,816

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

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

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

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

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

Advertising: The Organization expenses advertising costs as incurred. Advertising expense totaled approximately $1,442,000 and $1,365,000 for the years ended December 31, 2021 and 2020, respectively.

(Deficiency) of operating and nonoperating revenue over expenses: The consolidated statements of operations include the determination of (deficiency) of operating and nonoperating revenue over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from the performance indicator, consistent with industry practice, include fair market value adjustment for affiliation, inherent contribution from affiliation, net unrealized gains on alternative investments measured at NAV and debt securities, loss on extinguishment of debt, loss on discontinued operations, and net assets released from restrictions for capital purchases.

Tax status: NLI, NLHA, TVAR, TVOR, TLNA, TVAA, and TVPP are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 509(a) of the IRC. Impact 1890, LLC and Community Services, LLC and its subsidiaries are limited liability corporations and will be treated as disregarded entities for tax purposes with all activity flowing through to NLI.

Accounting principles generally accepted in the United States of America require an organization to evaluate tax positions taken by the organization and recognize a tax liability or asset if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). The Organization has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the consolidated financial statements. Generally, tax returns for years ended December 31, 2018, and thereafter remain subject to examination by federal and state tax authorities.

Reclassifications: Certain items in the 2020 consolidated financial statements have been reclassified to conform to the 2021 consolidated financial statement presentation.

Subsequent events: The Organization has evaluated subsequent events for recognition and disclosure through April 21, 2022. which is the date the consolidated financial statements were issued.

Recent Accounting Pronouncements

Intangibles: In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-15, “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” ASU No. 2018-15 requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance of Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement and apply the existing impairment guidance in Subtopic 350-40 to the capitalized implementation costs as if the costs were long-lived assets. Lastly, the amendment addresses the presentation of expenses in the statement of income, payments in the statement of cash flows, and capitalized implementation costs in the statement of financial position. ASU No. 2018-15 was effective for fiscal years beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. The Organization adopted this guidance during the year ended December 31, 2021. Adoption of this guidance did not have a material impact on the Organization’s consolidated financial statements.

Investments: In January 2020, the FASB issued ASU 2020-01, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. The amendments in this Update clarify certain interactions between the guidance to account for certain equity securities under Topic 321, the guidance to account for investments under the equity method of accounting in Topic 323, and the guidance in Topic 815, which could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that would be accounted for under the equity method of accounting or the fair value option. Early adoption is permitted. The Organization adopted this guidance during the year ended December 31, 2021. Adoption of this guidance did not have a material impact on the Organization’s consolidated financial statements.

Goodwill: In March 2021, the FASB issued ASU 2021-03, *Intangibles – Goodwill and Other* (Topic 350): *Accounting Alternative for Evaluating Triggering Events*. The amendments in this ASU provide private companies and not-for profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. The amendments in this ASU are effective on a prospective basis for fiscal years beginning after December 15, 2019. The Organization adopted this guidance during the year ended December 31, 2021. Adoption of this guidance did not have a material impact on the Organization's consolidated financial statements.

Note 2. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets available for general expenditure within one year as of December 31. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of resident deposits, assets whose use is limited, debt service reserves, operating reserves, resident deposits, and donor restricted funds.

	2021	2020
Financial assets:		
Cash and cash equivalents	**$ 6,362,913**	$ 4,520,162
Accounts receivable, net	**3,435,671**	3,257,917
Investments	**93,065,739**	84,436,254
Total	**$ 102,864,323**	$ 92,214,333

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments. Certain of the donor purpose restricted funds may be utilized as the restrictions are satisfied. As stated in Note 5, the Organization designated a portion of its investments as an operating reserve to comply with the requirements of the Maryland Department of Aging Reserve Requirements and thus they are not included in the schedule above.

Although the Organization does not intend to utilize the operating reserve for general expenditures as part of its annual budget and approval process, amounts designated as operating reserves could be made available as necessary. The operating reserves are included in assets whose use is limited on the consolidated balance sheets and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

To assist management in satisfying any unanticipated liquidity needs, the Organization has a line of credit of $10,000,000 with a bank that can be drawn upon (Note 7).

Note 3. Concentrations of Credit Risk

The Organization grants credit without collateral to its residents, most of whom are local residents and are insured under third-party agreements. The mix of gross receivables from third-party payors is as follows as of December 31:

	2021	2020
Self-pay	**30** %	27 %
Medicare	**28**	28
Medicaid	**27**	30
Commercial	**15**	15
	100 %	100 %

Note 4. Fair Value Measurements

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

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

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

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

The following tables present financial assets measured at fair value on a recurring basis as of December 31 by caption on the consolidated balance sheets:

	2021				
	Carrying Value	Fair Value	Level I	Level II	Level III
Reported at fair value:					
Assets:					
Investments and assets whose use is limited:					
Cash and cash equivalents	$ 29,711,469	$ 29,711,469	$ 29,711,469	$ -	$ -
Equity securities:					
Consumer discretionary	13,209,009	13,209,009	13,209,009	-	-
Consumer staples	4,525,119	4,525,119	4,525,119	-	-
Energy	4,015,453	4,015,453	4,015,453	-	-
Financial	7,601,572	7,601,572	7,601,572	-	-
Health care	6,811,177	6,811,177	6,811,177	-	-
Industrials	4,836,799	4,836,799	4,836,799	-	-
Information technology	9,578,090	9,578,090	9,578,090	-	-
Materials	3,698,400	3,698,400	3,698,400	-	-
Real estate	3,855,731	3,855,731	3,855,731	-	-
Utilities	1,889,233	1,889,233	1,889,233	-	-
Other	101,219	101,219	101,219	-	-
Mutual funds:					
Equity	6,298,041	6,298,041	6,298,041	-	-
Fixed income	7,100,593	7,100,593	7,100,593	-	-
Exchange-traded and closed-end funds	152,107	152,107	-	152,107	-
Fixed income securities:					
Corporate bonds	10,085,611	10,085,611	-	10,085,611	-
U.S. government and agency bonds	8,586,026	8,586,026	-	8,586,026	-
Subtotal	122,055,649	122,055,649	103,231,905	18,823,744	-
Alternative investment measured at NAV	4,188,365	4,188,365			
Total	126,244,014	126,244,014			
Funds held in trust by others	2,810,476	2,810,476	-	-	2,810,476
Total assets	$ 129,054,490	$ 129,054,490	$ 103,231,905	$ 18,823,744	$ 2,810,476
Disclosed at fair value:					
Cash and cash equivalents	$ 6,362,913	$ 6,362,913	$ 6,362,913	$ -	$ -
Pledges receivable, net	$ 106,009	$ 106,009	$ -	$ 106,009	$ -

	2020				
	Carrying Value	Fair Value	Level I	Level II	Level III
Reported at fair value:					
Assets:					
Investments and assets whose use is limited:					
Cash and cash equivalents	$ 35,826,754	$ 35,826,754	$ 35,826,754	$ -	$ -
Equity securities:					
Consumer discretionary	12,095,434	12,095,434	12,095,434	-	-
Consumer staples	2,570,936	2,570,936	2,570,936	-	-
Energy	1,487,498	1,487,498	1,487,498	-	-
Financial	5,507,253	5,507,253	5,507,253	-	-
Health care	5,491,691	5,491,691	5,491,691	-	-
Industrials	4,739,955	4,739,955	4,739,955	-	-
Information technology	8,804,348	8,804,348	8,804,348	-	-
Materials	2,709,625	2,709,625	2,709,625	-	-
Real estate	2,867,387	2,867,387	2,867,387	-	-
Utilities	1,165,399	1,165,399	1,165,399	-	-
Other	104,500	104,500	104,500	-	-
Mutual funds:					
Equity	6,884,057	6,884,057	6,884,057	-	-
Fixed income	6,161,228	6,161,228	6,161,228	-	-
Exchange-traded and closed-end funds	111,949	111,949	-	111,949	-
Other	102,283	102,283	-	102,283	-
Fixed income securities:					
Corporate bonds	13,554,773	13,554,773	-	13,554,773	-
U.S. government and agency bonds	7,416,949	7,416,949	-	7,416,949	-
Subtotal	117,602,019	117,602,019	96,416,065	21,185,954	-
Alternative investment measured at NAV	3,815,128	3,815,128			
Total	121,417,147	121,417,147			
Funds held in trust by others	2,702,434	2,702,434	-	-	2,702,434
Total assets	$ 124,119,581	$ 124,119,581	$ 96,416,065	$ 21,185,954	$ 2,702,434
Disclosed at fair value:					
Cash and cash equivalents	$ 4,520,162	$ 4,520,162	$ 4,520,162	$ -	$ -
Pledges receivable, net	$ 149,881	$ 149,881	$ -	$ 149,881	$ -

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

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

There were no transfers between Level I, Level II, or Level III during the years ended December 31, 2021 or 2020.

The following methods have been used by the Organization in estimating the fair value on a recurring basis of its financial instruments. There have been no changes in the methodologies used as of December 31, 2021 or 2020:

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

Equity securities, exchange traded funds, and mutual funds: Valued at the closing price reported in the active market on which the individual securities are traded for equity securities and fixed income mutual funds and quoted market prices in active markets.

Fixed income securities and other: Fair values of these items, which are the amounts reported on the consolidated balance sheets, are estimated using quoted prices for similar securities.

Alternative investment is comprised of a hedge fund. The Organization measures the fair value of the alternative investment based on net asset value (NAV) as calculated on the reporting entity's measurement date. The Organization measures the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV of the Organization as of the valuation date. In using the NAV as a practical expedient, certain attributes of the investment, that may impact the fair value of the investment, are not considered in measuring fair value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date at NAV as well as any unfunded commitments. The alternative investment as of December 31, 2021 and 2020, was $4,188,365 and $3,815,128, respectively. The investment strategy for Ironwood Institutional Multi-Strategy Fund (Fund) is capital appreciation with limited variability of returns. The Fund invests exclusively in other private investment companies, which invests substantially all of its assets in hedge funds and other similar investment vehicles that are managed by a select group of portfolio managers who invest in a variety of financial markets and utilize a broad range of alternative investment strategies. There were no unfunded commitments as of December 31, 2021 or 2020, and there is a monthly or quarterly redemption notice of 15 - 120 days.

Funds held in trust by others: Valued based on the fair value of the trusts' underlying assets, which approximates the discounted present value of future cash flows.

Pledges receivable: Valued based on the original pledge amounts, adjusted by a discount rate that a market participant would demand and an evaluation for uncollectable pledges.

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

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

Note 5. Investments and Assets Whose Use is Limited

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

	2021	2020
Investments	**$ 93,065,739**	$ 84,436,254
Assets whose use is limited:		
Refundable deposits	**$ 4,264,899**	$ 6,089,509
Operating reserves required by the Maryland DOA	**7,379,691**	7,257,690
Cash, restricted by donors or grantors for specific purposes	**22,688**	27,428
Assets held under trust indentures:		
Debt service reserves	**8,942,208**	8,442,925
Principal and interest	**6,238,727**	10,386,297
Entrance fee fund	**4,110,453**	-
Construction	**1,953,101**	4,362,331
Other	**266,508**	414,713
Total assets whose use is limited	**33,178,275**	36,980,893
Less current portion of assets whose use is limited	**(13,831,923)**	(10,254,788)
Assets whose use is limited, net	**$ 19,346,352**	$ 26,726,105

In accordance with Maryland law governing continuing care retirement communities, TVAR and TVAA are required to set aside operating reserves totaling 15% of the facility's net operating expenses (as defined) for the most recent fiscal year. The reserve required is calculated as $7,379,691 and $7,257,690 as of December 31, 2021 and 2020, respectively. Beginning January 1, 2023, the reserve requirement will be equal to 25% of TVAR and TVAA's net operating expenses.

Note 6. Property and Equipment

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

	2021	2020
Land	**$ 24,049,367**	$ 24,049,367
Land improvements	**16,407,673**	15,570,104
Buildings and building improvements	**370,044,393**	297,921,022
Furniture and equipment	**43,641,870**	39,169,222
Construction in progress	**17,966,965**	87,404,026
	472,110,268	464,113,741
Less accumulated depreciation	**(160,101,258)**	(144,592,604)
	$ 312,009,010	$ 319,521,137

During the year ended December 31, 2020, the Organization determined that certain project development costs were not deemed reasonable to complete and, therefore, were impaired. The total write off of these costs was $7,148,969 and is included in loss on impairment on the accompanying consolidated statement of operations.

Construction in progress consists primarily of the following:

Project development costs for a planned expansion and repositioning project (Glenmere) at TVAR. The project was placed into service in January 2021.

Planning and pre-development costs for TVPP are approximately $16,481,000. TVPP has various development and purchase agreements in place subject to future project approvals. The Organization received planning commission approval of its planned unit development application in February 2022.

Civil engineering, survey, geotechnical, legal, planned unit development and related approvals, and certain other costs for TVAA to complete an independent living renovation and overall campus repositioning project.

NLI charges a development fee for developing projects for the subsidiaries. Total capitalized developed fees were approximately $4,400,000 and $3,900,000 as of December 31, 2021 and 2020, respectively.

Note 7. Long-Term Debt and Line of Credit

The Organization maintains a variable rate line of credit, bearing interest at a variable rate of 2.33% as of December 31, 2021, totaling $10,000,000 with a local financial institution, collateralized by a portion of its investments and real property. The Organization also had a $1,250,000 line of credit with a financial institution, bearing interest at variable rates. The line was collateralized by all real property of the Organization. During 2021, the line of credit balance was paid in full and the account was subsequently closed. Borrowings on the lines of credit amounted to $7,194,363 and $7,530,734 as of December 31, 2021 and 2020, respectively.

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

	2021	2020
Series 2011 Residential Care Facility Revenue Bonds (TLNA), payable in monthly installments to satisfy annual debt service requirements through July 2045. Interest is payable at a fixed rate of 5.25 percent through June 30, 2024, and then from July 1, 2024, through maturity a rate equal to the 24 year MMD plus 275 basis points, calculated on the third business day before July 1, 2024.	**$ 15,390,000**	$ 15,860,000
Series 2011A Residential Care Facility Revenue Bonds (TVOR), payable in monthly installments to satisfy annual debt service requirements through July 2045. Interest is payable at a fixed rate of 6.50 percent through maturity.	**37,635,000**	38,110,000
Series 2012A Economic Development Revenue Bonds (TVAR), payable in monthly installments to satisfy annual debt service requirements through February 2042. Interest is payable at a fixed rate of 6.15 percent through maturity.	**11,545,000**	11,795,000

	2021	2020
Series 2012B Economic Development Revenue Bonds (TVAR), payable in monthly installments to satisfy annual debt service requirements through February 2042. Interest is payable at a fixed rate of 5.04 percent through maturity.	**$ 7,790,000**	$ 7,990,000
Series 2013 A and B Maryland Health and Higher Educational Facility Authority Revenue Bonds (TVAA), payable in monthly installments to satisfy annual debt service requirements through December 2035. Series A interest is payable at variable rates of 1.68 percent and 2.98 percent as of December 31, 2020 and 2019, respectively. Series B interest is payable at a fixed rate of 3.95 percent. The bonds are secured by property and and certain other assets of the Organization.	**13,454,000**	14,217,000
Note payable (TVAA) with Truist Bank, due in monthly installments of principal and interest totalling $1,493. The note bears interest at 3.00 percent and is secured by assets of the Organization.	**4,525**	23,643
Series 2014A Residential Care Facility Revenue Bonds (TVOR), payable in monthly installments to satisfy annual debt service requirements through July 2049. Interest is payable at a fixed rate of 6.00 percent through maturity.	**34,655,000**	35,280,000
Series 2014B Residential Care Facility Revenue Bonds (TVOR), payable in monthly installments to satisfy annual debt service requirements through July 2049. Interest is payable at a fixed rate of 4.63 percent through maturity.	**9,440,000**	9,695,000
Series 2018A Fixed Rate Economic Development Revenue Bonds (TVAR), at fixed rates of 5.75 to 6.50 percent, payable in monthly installments of interest only through February 2022, and then monthly principal and interest payments begin through November 2048 to satisfy annual debt service requirements.	**17,970,000**	16,120,000
Series 2018B Adjustable Rate Economic Development Revenue Bonds (TVAR), at fixed rates of 5.00 to 5.66 percent, payable in monthly installments of interest only through February 2022, and then monthly principal and interest payments begin through February 2049 to satisfy annual debt service requirements. The 2018B Bonds interest rate adjusts February 2028 as defined in the debt agreements.	**13,690,000**	12,765,000

	2021	2020
Series 2018C Floating Rate Economic Development Revenue Bonds, payable in monthly installments of interest only (monthly reset) with a final payment of principal due February 2029. The remaining principal balance was paid in full during 2021 with the proceeds from Glenmere entrance fees.	**$ -**	$ 40,000,000
Series 2018D Adjustable Rate Economic Development Revenue Bonds (TVAR), at fixed rates of 5.00 to 5.66 percent, payable in monthly installments of interest only through February 2022, and then monthly principal and interest payments begin through February 2049 to satisfy annual debt service requirements. The 2018D Bonds interest rate adjusts in February 2028 as defined in the debt agreements.	**13,715,000**	14,550,000
Series 2019A Residential Care Facility Revenue Bonds (TLNA), payable in monthly installments to satisfy annual debt service requirements through July 2024. Interest is payable at a fixed rate of 5.25 percent.	**9,070,000**	9,735,000
Series 2021 Fixed Rate Taxable Bonds (TVPP), at 5.25 percent, payable in semiannual installments of interest only, beginning January 2022 to satisfy annual debt service requirements with a final payment of principal due September 2024.	**9,500,000**	-
	193,858,525	226,140,643
Less current portion	**12,810,525**	3,055,232
Less deferred financing costs	**7,343,638**	8,314,105
Long-term debt, net	**$ 173,704,362**	$ 214,771,306

The TVAR Series 2018 Bonds are draw down bonds to fund the TVAR construction project described in Note 6, with the total bond issuance being $87,500,000, consisting of $17,970,000 of Series 2018A, $13,690,000 of Series 2018B, $40,000,000 of Series 2018C, and $15,840,000 of Series 2018D. An additional $4,065,000 was drawn down from the Series 2018 bonds in 2021.

On March 1, 2019, the Economic Development Authority of the City of Staunton, Virginia, issued the 2019 Legacy at North Augusta 2019A Residential Care Facility Revenue Bonds for $9,890,000, whereas the proceeds were loaned to the Organization. The bonds are labeled as draw down bonds, and are for the purpose of capital improvements, along with new construction of additional housing for assisted living, and the construction of an assisted living memory care unit. There were no draw downs during 2021. The draw down bonds have a fixed rate of 5.25%, with a maturity date of July 1, 2024.

As security for the payment of the bonds, TVOR, TLNA, and TVAR each has granted a lien and security interest in their respective mortgaged premises and TVOR and TVAR will assign all their respective pledged assets, including gross receipts, inventory, accounts receivables, contracts rights, general intangibles, and other as defined in the documents. Additionally, NLI and NLHA entered into support agreements guaranteeing the repayment of the bonds as additional security. The support agreements will terminate upon the achievement of certain financial performance targets as defined in the agreements.

The Organization is required to comply with certain debt covenants in connection with the aforementioned long-term debt. Management believes they are in compliance with all covenants as of December 31, 2021.

The long-term debt maturing in the next five years and thereafter is as follows as of December 31, 2021:

Years Ending December 31:	
2022	$ 12,810,525
2023	3,656,000
2024	21,919,000
2025	3,840,000
2026	4,059,000
Thereafter	147,574,000
	$ 193,858,525

Interest expense on long term debt totaled $11,366,483 and $8,172,580 for the years ended December 31, 2021 and 2020, net of capitalized interest of $135,771 and $1,180,977, respectively.

During 2021, a debt modification of the TVAR 2012 A and B bonds and TVOR 2014 A and B bonds were executed. The debt modification lowered interest rates and modified the future amortization of the debt.

Note 8. Leases

The Organization has entered into several non-cancelable lease arrangements under which the Organization is the lessee.

The amounts recognized as right-of-use (ROU) assets related to operating leases is listed in the asset section of the accompanying consolidated balance sheets net of accumulated amortization. The related lease liabilities for operating leases are listed in the liabilities section of the accompanying consolidated balance sheets. The Organization does not have variable lease payments, options required to be recognized as part of a lease ROU asset, or residual value guarantees. The Organization's leases do not contain non-lease components.

A schedule of future minimum lease payments due under operating leases as of December 31, 2021, follows:

Years Ending December 31:	
2022	$ 437,544
2023	406,422
2024	376,118
2025	259,219
2026	133,623
Total lease payments	1,612,926
Less effects of discounting	(85,207)
Total lease obligation	$ 1,527,719

As of December 31, 2021, the weighted-average remaining lease term for all operating leases was 4.10 years.

The Organization utilizes the incremental borrowing rate as the discount rate. The weighted-average discount rate associated with operating leases as of December 31, 2021, was 3.25%.

Note 9. Net Assets

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

	2021	2020
Net assets without donor restrictions:		
Undesignated	**$ 68,842,835**	$ 85,527,392
Maryland Department of Aging reserve requirements	**7,379,691**	7,257,690
Total net assets without donor restrictions	**76,222,526**	92,785,082
Net assets with donor restrictions:		
Purpose restricted for:		
Operations	**928,941**	638,487
Capital projects	**529,365**	529,834
Charitable remainder trusts	**393,630**	378,670
Perpetual trusts	**2,396,035**	2,323,764
Restricted in perpetuity	**2,618,669**	2,180,027
Total net assets with donor restrictions	**6,866,640**	6,050,782
Total net assets	**$ 83,089,166**	$ 98,835,864

During the years ended December 31, 2021 and 2020, net assets of $59,641 and $228,145, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes.

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

Note 10. Expenses by Nature and Function

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

	2021			
	Resident Services	**General and Administrative**	**Fundraising**	**Total**
Salaries and wages	**$ 30,460,544**	**$ 6,466,149**	**$ 617,058**	**$ 37,543,751**
Employee benefits and payroll taxes	**7,330,288**	**1,133,601**	**134,238**	**8,598,127**
Professional fees	**6,196,646**	**2,368,313**	**20**	**8,564,979**
Ancillary and medical	**4,878,844**	**-**	**-**	**4,878,844**
Supplies	**1,691,050**	**179,940**	**51,076**	**1,922,066**
Food services	**3,096,572**	**45,335**	**1,387**	**3,143,294**
Utilities	**3,326,066**	**52,190**	**4,060**	**3,382,316**
Depreciation	**17,218,314**	**24,341**	**-**	**17,242,655**
Interest	**11,368,490**	**549,062**	**-**	**11,917,552**
Insurance	**850,597**	**575,050**	**-**	**1,425,647**
Real estate taxes	**1,927,346**	**1,075**	**-**	**1,928,421**
Repairs and maintenance	**1,456,543**	**124,142**	**-**	**1,580,685**
Advertising and marketing	**741,149**	**684,404**	**16,289**	**1,441,842**
Licenses, dues, and subscriptions	**719,462**	**1,388,257**	**7,349**	**2,115,068**
Other operating expenses	**660,181**	**821,120**	**6,699**	**1,488,000**
Bad debt expense	**243,865**	**-**	**-**	**243,865**
Total	**$ 92,165,957**	**$ 14,412,979**	**$ 838,176**	**$ 107,417,112**

	2020			
	Resident Services	**General and Administrative**	**Fundraising**	**Total**
Salaries and wages	$ 31,585,884	$ 7,726,114	$ 598,241	$ 39,910,239
Employee benefits and payroll taxes	8,139,557	1,355,478	145,856	9,640,891
Professional fees	3,268,899	2,713,551	-	5,982,450
Ancillary and medical	5,692,888	-	-	5,692,888
Supplies	2,009,489	305,726	48,163	2,363,378
Food services	2,808,660	40,688	1,338	2,850,686
Utilities	2,562,776	109,008	6,140	2,677,924
Depreciation	14,781,395	-	-	14,781,395
Interest	8,290,776	198,585	-	8,489,361
Insurance	753,001	513,781	-	1,266,782
Real estate taxes	1,175,739	490	-	1,176,229
Repairs and maintenance	1,614,691	149,935	-	1,764,626
Advertising and marketing	534,136	824,575	6,375	1,365,086
Licenses, dues, and subscriptions	561,145	1,409,643	42,349	2,013,137
Other operating expenses	708,654	599,991	3,248	1,311,893
Bad debt expense	511,907	-	-	511,907
Grants awarded to others	134,882	-	-	134,882
Total	$ 85,134,479	$ 15,947,565	$ 851,710	$ 101,933,754

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

Note 11. Pension Plan

The Organization participates in a 403(b) defined contribution plan (Plan). The Plan was amended on January 1, 2020. Prior January 1, 2020, the Organization contributed 2% of each eligible employee's salary and matched 50% of each employee's contribution up to 8% after 90 days of service for a maximum contribution of 6%. On and after January 1, 2020, the amended Plan states the Organization shall make a Safe Harbor contribution in an amount equal to 100% of each employee's contribution, up to a maximum of 3% of such participant's compensation. In addition, the Organization will contribute 50% of each employee's contribution up to the next 2% of such participant's compensation for each payroll period. All participating employees' contributions are 100% vested and employer contributions are vested at 20% per year to 100% after five years. Employer contributions totaled $657,367 and $600,320 for the years ended December 31, 2021 and 2020, respectively, and are included in employee benefits and payroll taxes on the consolidated statements of operations. Due to the affiliation, TVAA had a separate defined contribution plan as of December 31, 2020. Effective January 1, 2021, all plan assets were subsequently transferred to the Parent's (NLCS) defined contribution plan, consistent with all other NLCS subsidiaries. Termination of the plan was in accordance with the Employee Retirement Income Security Act (ERISA) standards.

Note 12. Benevolent Care

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

The Organization maintains records to identify and monitor the level of benevolent care it provides. The estimated cost of providing benevolent care is based upon the direct and indirect costs identified with the specific benevolent care provided. The cost of benevolent care provided amounted to approximately $1,134,000 and $794,100 for the years ended December 31, 2021 and 2020, respectively. Benevolent care related to the Medicaid program amounted to approximately $3,491,000 and $5,100,000 for the years ended December 31, 2021 and 2020, respectively.

Note 13. Medical Malpractice and General Liability Claims Coverage

The Organization participates in a reciprocal risk retention group (RRRG). The coverage is provided on a claims-made basis. Medical malpractice and general liability coverages were provided for the Organization in the amount of $1,000,000 per event and $3,000,000 per annual aggregate. Each claim has a $50,000 self-insured retention, prior to the primary insurance coverage. The Organization also has an excess umbrella policy for general liability coverage. The excess umbrella limit is $15,000,000 in the aggregate. The Organization funds any potential accrued claims incurred but not reported liability through the premiums paid to the RRRG. As of December 31, 2021, no such adjustments to premiums are deemed necessary.

Note 14. Commitments and Contingencies

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

The Organization entered into certain commitments in March 2022, relative to a Solar Project that management believes will deliver energy savings to the Organization. Site development and other construction are planned for calendar year 2022, with possible construction completion by December 31, 2022, and utility interconnection during the first quarter of 2023.

The Organization entered into a construction commitment in March 2022, relative to an independent living unit conversion to assisted living. The construction commitment is for approximately $665,000.

Note 15. Business Combinations

On January 1, 2020, with the approval of the Maryland Department of Aging and with consent from the Board of Trustees at both National Lutheran, Inc. d/b/a National Lutheran Communities & Services and Augsburg Lutheran Home of Maryland, Inc. (Augsburg), Augsburg became an affiliated entity of NLCS known as “The Village at Augsburg, a National Lutheran Community.”

The transaction was accounted for under the acquisition method in accordance with accounting principles generally accepted in the United States of America. Transaction costs associated with the transaction, including professional, consulting services, and legal fees, amounted to approximately $69,900.

Such costs were included on the consolidated statement of operations in professional fees expenses. The following table summarizes the amounts of fair value of the assets received on the affiliation date:

Market value of fee simple estate	$ 35,500,000
Real property allocation:	
Real property	$ 32,430,000
Furniture, fixtures, and equipment	1,070,000
Business value (goodwill)	2,000,000
Market value of the going concern	$ 35,500,000

As a result of the affiliation, goodwill resulted from the excess of the market value of the going concern over the identifiable assets of TVAA. Goodwill resulted from NLCS’ right to use website registration information, phone and facsimile numbers, the resident referral list, current residents receiving services and care, care plans and medical records associated with those residents, a staffed work force, managed care and other contracts, permits, licenses and agreements, reputation in TVAA’s geographic market area, and other intangible business assets.

As a result of the affiliation, TVAA recorded a fair market value adjustment of $17,855,151 which is included in other changes on the consolidated statement of operations as of December 31, 2020. The adjustment is comprised of the $2,000,000 recognized as goodwill and a write up of fixed assets of $15,855,151 due to the valuation of real property as of the affiliation date.

Note 16. Loss on Discontinued Operations

During 2021, the Organization terminated operations of subsidiaries and segments of subsidiaries as part of a strategic shift. Petalo, LLC ceased operations in 2020 and was subsequently dissolved in June 2021. Operations were ceased at myPotential Clinic-Rockville, LLC in October 2021. The home health services segment at myPotential VA ceased operations in March 2021 and terminated their Medicare agreement effective July 2021. As a result of these transactions, the Organization recorded a loss on discontinued operations of $147,939 for the year ended December 31, 2021, which is included in other changes on the consolidated statement of operations.

Note 17. COVID-19 Pandemic

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

Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, which included, among other programs, the Paycheck Protection Program (PPP) and the Provider Relief Fund (PRF).

The material government funding received by the Organization, and the corresponding accounting for the funding, is outlined below.

U.S. Department of Health and Human Services (HHS) Provider Relief Fund: During the years ended December 31, 2021 and 2020, the Organization received in funding through the HHS PRF program established by the CARES Act $2,119,854 and $3,249,963, respectively, for a total of $5,369,817 between the years. According to guidance provided by the HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by the HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenue or COVID-19 expenses, the funds must be returned to the HHS.

The balance of advanced PRF funds unused to offset lost revenue and qualified expenditure is reported in refundable advances on the consolidated balance sheets. Based on the Organization's calculation of lost revenue and COVID-19 expenses, the Organization has recognized $2,606,187 and $3,072,613 as Provider Relief Funds revenue during the years ended December 31, 2021 and 2020, respectively, while $4,198 and $490,528 remained in refundable advances, respectively. Of the total recognized in 2021, $122,697 is related to myPotential VA and is recorded as part of the loss on discontinued operations. Infection control payments that were received subsequent to year end are included in accounts receivable on the consolidated balance sheet and totaled $313,178 as of December 31, 2020, of which $59,871 was recognized as Provider Relief Funds revenue, and is included in the total revenue of $3,072,613. While the Organization has utilized all available current information in determining the proper utilization and accounting for these funds, additional guidance is expected that could have a material impact on how the Organization has recognized PRF.

Also included in Provider Relief Funds on the consolidated statement of operations as of December 31, 2021, is $241,305 related to a one-time two percent rate supplement passed though the Maryland state Medicaid program from the American Rescue Plan Act. There was no such funding in 2020.

Paycheck Protection Program Loan: In April 2020, the Organization obtained loans totaling $9,000,500 under the Paycheck Protection Program pursuant to the CARES Act. The Organization initially elected to account for the PPP loans as a liability when received.

The proceeds from the loans had to be spent on qualifying expenses such as covered payroll costs, mortgage interest on real or personal property, rental obligations on real or personal property, and covered utility costs allowed under the CARES Act. The Organization had selected the twenty-four week covered period as allowed under the CARES Act. The Organization used the loan proceeds in accordance with the terms of the PPP and applied for forgiveness from the financial institution once the proceeds were fully expended. Certain subsidiaries of the Organization were still pending approval from the Small Business Administration (SBA) as of December 31, 2020; however, the financial institution had recommended to the SBA that forgiveness be granted. Certain other subsidiaries of the Organization had received full forgiveness as of December 31, 2020. The Organization had maintained adequate records and believed that all requirements under the PPP guidelines had been met to achieve loan forgiveness. As such, the total loan amount was recognized as revenue and included in Paycheck Protection Program contribution on the consolidated statement of operations for the year ended December 31, 2020. All PPP loans have received SBA approval for forgiveness as of July 2021.

The Centers for Medicare and Medicaid Services (CMS) Accelerated/Advance Payments: In order to increase cash flow to providers of services and suppliers impacted by the COVID-19 pandemic, the CMS has expanded its current Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. The expansion of this program is only for the duration of the public health emergency. An accelerated/advance payment is a payment intended to provide necessary funds when there is a disruption in claims submissions and/or claims processing. These expedited payments can also be offered in circumstances such as national emergencies, or natural disasters, in order to accelerate cash flow to the impacted health care provider and suppliers. The CMS is authorized to provide accelerated or advance payments during the period of the public health emergency to any Medicare provider/supplier who submits a request to the appropriate Medicare Administrative Contractor (MAC) and meet the required qualifications. The Eligibility & Process includes the following areas: Eligibility, Amount of Payment, Processing Time, Repayment, and Recoupment and Reconciliation.

The Organization took advantage of this program and applied for and received $2,868,892, which is included in accounts payable on the consolidated balance sheet as of December 31, 2020. Due to the Recoupment and Reconciliation process of this program, takebacks during 2021 amounted to $1,761,735, leaving a remaining balance of $1,107,157 as of December 31, 2021.

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NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATING BALANCE SHEET
December 31, 2021

	TVAR	TVOR	TLNA	TVPP	TVAA	NLHA	NLI	myPotential VA	myPotential MD	Rockville Clinic	Petalo	Impact 1890	Eliminations	Total
ASSETS														
CURRENT ASSETS														
Cash and cash equivalents	$ 6,456	$ 35,616	$ -	$ -	$ 3,736,241	$ -	$ 2,574,868	$ -	$ -	$ 9,732	$ -	$ -	$ -	$ 6,362,913
Accounts receivable, net	1,788,222	382,487	44,844	-	1,054,859	-	32,730	62,968	66,754	2,807	-	-	-	3,435,671
Prepaid expenses and other assets	374,157	80,831	3,204	25,760	198,764	-	1,020,025	-	-	-	-	2,963	-	1,705,704
Current portion of pledges receivable	3,000	20,500	16,969	-	12,396	-	27,691	-	-	-	-	-	-	80,556
Current portion of assets whose use is limited	8,947,755	3,691,322	1,057,075	135,771	-	-	-	-	-	-	-	-	-	13,831,923
Total current assets	11,119,590	4,210,756	1,122,092	161,531	5,002,260	-	3,655,314	62,968	66,754	12,539	-	2,963	-	25,416,767
ASSETS WHOSE USE IS LIMITED, net	7,422,831	3,405,269	1,188,471	4,365,859	2,715,009	-	248,913	-	-	-	-	-	-	19,346,352
INVESTMENTS	5,110,800	2,155,689	116,149	-	6,230,071	25,147,240	853,314	-	-	-	-	-	53,452,476	93,065,739
BENEFICIAL INTEREST IN SUPPORTING ORGANIZATION	38,180,514	10,839,719	5,182,680	-	-	-	-	-	-	-	-	-	(54,202,913)	-
PROPERTY AND EQUIPMENT, net	112,064,322	135,105,603	18,458,585	16,481,754	29,824,294	-	69,104	5,093	-	255	-	-	-	312,009,010
FUNDS HELD IN TRUST BY OTHERS	2,094,490	23,810	-	-	692,176	-	-	-	-	-	-	-	-	2,810,476
GOODWILL	-	-	-	-	2,000,000	-	-	-	-	-	-	-	-	2,000,000
RIGHT-OF-USE ASSETS	-	-	-	768,364	-	-	732,923	26,432	-	-	-	-	-	1,527,719
PLEDGES RECEIVABLE, net	-	25,453	-	-	-	-	-	-	-	-	-	-	-	25,453
Total assets	$ 175,992,547	$ 155,766,299	$ 26,067,977	$ 21,777,508	$ 46,463,810	$ 25,147,240	$ 5,559,568	$ 94,493	$ 66,754	$ 12,794	$ -	$ 2,963	$ (750,437)	$ 456,201,516
LIABILITIES AND NET ASSETS (DEFICIT)														
CURRENT ASSETS														
Accounts payable, trade	$ 962,495	$ 143,829	$ 3,389	$ -	$ 256,596	$ -	$ 1,649,880	$ 1,128	$ -	$ -	$ -	$ 57,660	$ -	$ 3,074,977
Accrued interest	1,542,755	2,481,322	642,075	135,771	31,500	-	-	-	-	-	-	-	-	4,833,423
Accrued expenses	3,012,341	1,082,462	436,346	8,125	1,557,469	45,000	1,364,022	93,895	80,119	10,958	-	-	-	7,690,737
Lines of credit	-	-	-	-	-	7,194,363	-	-	-	-	-	-	-	7,194,363
Current portion of long-term debt	10,395,000	1,210,000	415,000	-	790,525	-	-	-	-	-	-	-	-	12,810,525
Refundable advances	-	-	-	-	-	-	-	3,698	-	500	-	-	-	4,198
Total current liabilities	15,912,591	4,917,613	1,496,810	143,896	2,636,090	7,239,363	3,013,902	98,721	80,119	11,458	-	57,660	-	35,608,223
RESIDENT DEPOSITS	436,831	228,363	20,550	3,867,797	136,625	-	-	-	-	-	-	-	-	4,690,166
DEFERRED REVENUE FROM ENTRANCE FEES	29,579,175	28,560,152	-	-	2,343,155	-	-	-	-	-	-	-	-	60,482,482
REFUNDABLE ENTRANCE FEES	37,577,591	49,407,677	-	-	10,049,115	-	-	-	-	-	-	-	-	97,034,383
LONG-TERM DEBT, net	52,445,807	76,558,264	23,382,427	9,111,782	12,206,082	-	-	-	-	-	-	-	-	173,704,362
LEASE LIABILITY	-	-	-	768,364	-	-	732,923	26,432	-	-	-	-	-	1,527,719
ANNUITIES PAYABLE	65,015	-	-	-	-	-	-	-	-	-	-	-	-	65,015
DUE TO (FROM) AFFILIATES, net	24,331,844	5,808,784	13,523,331	18,526,499	1,521,313	(66,828,090)	(5,796,294)	4,482,392	1,918,513	936,903	-	1,574,805	-	-
Total liabilities	160,348,854	165,480,853	38,423,118	32,418,338	28,892,380	(59,588,727)	(2,049,469)	4,607,545	1,998,632	948,361	-	1,632,465	-	373,112,350
NET ASSETS (DEFICIT)														
Without donor restrictions	11,703,560	(11,461,539)	(12,601,437)	(10,640,830)	16,829,426	84,735,967	7,330,531	(4,513,052)	(1,931,878)	(935,567)	-	(1,629,502)	(663,153)	76,222,526
With donor restrictions	3,940,133	1,746,985	246,296	-	742,004	-	278,506	-	-	-	-	-	(87,284)	6,866,640
Total net assets (deficit)	15,643,693	(9,714,554)	(12,355,141)	(10,640,830)	17,571,430	84,735,967	7,609,037	(4,513,052)	(1,931,878)	(935,567)	-	(1,629,502)	(750,437)	83,089,166
Total liabilities and net assets (deficit)	$ 175,992,547	$ 155,766,299	$ 26,067,977	$ 21,777,508	$ 46,463,810	$ 25,147,240	$ 5,559,568	$ 94,493	$ 66,754	$ 12,794	$ -	$ 2,963	$ (750,437)	$ 456,201,516

See Independent Auditor's Report

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATING BALANCE SHEET
December 31, 2020

	TVAR	TVOR	TLNA	TVPP	TVAA	NLHA	NLI	myPotential VA	myPotential MD	Rockville Clinic	Petalo	Impact 1890	Eliminations	Total
ASSETS														
CURRENT ASSETS														
Cash and cash equivalents	$ 111,500	$ 34,815	$ -	$ -	$ 1,892,673	$ -	$ 2,379,874	$ -	$ -	$ 10,531	$ 90,769	$ -	$ -	$ 4,520,162
Assets whose use is limited, restricted cash	-	-	-	-	30,568	-	206,653	-	-	-	-	-	-	237,221
Accounts receivable, net	1,558,785	262,331	25,508	-	1,271,575	-	1,005,080	146,737	57,972	16	-	-	(1,070,087)	3,257,917
Prepaid expenses and other assets	404,183	120,512	21,552	48,321	241,238	-	855,681	660	-	-	-	2,625	-	1,694,772
Current portion of pledges receivable	-	33,000	20,727	-	-	-	51,775	-	-	-	-	-	-	105,502
Current portion of assets whose use is limited	5,191,383	3,921,536	1,141,869	-	-	-	-	-	-	-	-	-	-	10,254,788
Total current assets	7,265,851	4,372,194	1,209,656	48,321	3,436,054	-	4,499,063	147,397	57,972	10,547	90,769	2,625	(1,070,087)	20,070,362
ASSETS WHOSE USE IS LIMITED, net	15,210,305	5,601,722	2,304,868	205,678	2,983,762	-	419,770	-	-	-	-	-	-	26,726,105
INVESTMENTS	4,470,791	1,838,515	90,076	-	9,042,459	26,152,666	1,631,497	-	-	-	-	-	41,210,250	84,436,254
BENEFICIAL INTEREST IN SUPPORTING ORGANIZATION	25,772,948	13,602,458	3,335,281	-	-	-	-	-	-	-	-	-	(42,710,687)	-
PROPERTY AND EQUIPMENT, net	116,164,278	141,165,028	19,169,220	11,691,180	31,220,484	-	90,156	9,038	9,965	1,788	-	-	-	319,521,137
FUNDS HELD IN TRUST BY OTHERS	2,038,020	-	-	-	664,414	-	-	-	-	-	-	-	-	2,702,434
GOODWILL	-	-	-	-	2,000,000	-	-	-	-	-	-	-	-	2,000,000
RIGHT-OF-USE ASSETS	-	-	-	-	-	-	351,576	87,115	-	-	-	-	-	438,691
PLEDGES RECEIVABLE, net	-	44,379	-	-	-	-	-	-	-	-	-	-	-	44,379
Total assets	$ 170,922,193	$ 166,624,296	$ 26,109,101	$ 11,945,179	$ 49,347,173	$ 26,152,666	$ 6,992,062	$ 243,550	$ 67,937	$ 12,335	$ 90,769	$ 2,625	$ (2,570,524)	$ 455,939,362
LIABILITIES AND NET ASSETS (DEFICIT)														
CURRENT ASSETS														
Accounts payable, trade	$ 2,184,074	$ 445,988	$ 25,282	$ -	$ 524,842	$ -	$ 2,295,054	$ 86,555	$ 5	$ 2,252	$ -	$ 235,232	$ -	$ 5,799,284
Accounts payable, construction	3,076,205	-	-	-	-	-	-	-	-	-	-	-	-	3,076,205
Accrued interest	1,665,178	2,566,536	671,869	-	34,000	-	-	-	-	-	-	-	-	4,937,583
Accrued expenses	2,419,851	1,000,540	413,552	3,000	1,557,931	12,033	1,427,065	187,778	81,948	36,784	73,906	-	(70,087)	7,144,301
Lines of credit	-	-	-	-	950,000	6,580,734	-	-	-	-	-	-	-	7,530,734
Current portion of long-term debt	450,000	1,355,000	470,000	-	780,232	-	-	-	-	-	-	-	-	3,055,232
Refundable advances	-	221,445	-	-	269,083	-	-	-	-	-	-	-	-	490,528
Total current liabilities	9,795,308	5,589,509	1,580,703	3,000	4,116,088	6,592,767	3,722,119	274,333	81,953	39,036	73,906	235,232	(70,087)	32,033,867
RESIDENT DEPOSITS	5,451,630	401,470	18,300	211,823	117,500	-	-	-	-	-	-	-	-	6,200,723
DEFERRED REVENUE FROM ENTRANCE FEES	6,684,689	28,829,896	-	-	2,685,334	-	-	-	-	-	-	-	-	38,199,919
REFUNDABLE ENTRANCE FEES	4,399,636	50,530,078	-	-	10,461,781	-	-	-	-	-	-	-	-	65,391,495
LONG-TERM DEBT, net	99,846,814	77,638,622	24,331,922	-	12,953,948	-	-	-	-	-	1,000,000	-	(1,000,000)	214,771,306
LEASE LIABILITY	-	-	-	-	-	-	349,028	87,115	-	-	-	-	-	436,143
ANNUITIES PAYABLE	70,045	-	-	-	-	-	-	-	-	-	-	-	-	70,045
DUE TO (FROM) AFFILIATES, net	21,399,578	10,073,866	12,569,279	21,059,129	881,859	(61,384,472)	(11,882,114)	3,845,347	1,433,279	701,768	14,156	1,288,325	-	-
Total liabilities	147,647,700	173,063,441	38,500,204	21,273,952	31,216,510	(54,791,705)	(7,810,967)	4,206,795	1,515,232	740,804	1,088,062	1,523,557	(1,070,087)	357,103,498
NET ASSETS (DEFICIT)														
Withour donor restrictions	19,734,572	(7,947,658)	(12,540,109)	(9,328,773)	17,438,821	80,944,371	14,554,245	(3,963,245)	(1,447,295)	(728,469)	(997,293)	(1,520,932)	(1,413,153)	92,785,082
With donor restrictions	3,539,921	1,508,513	149,006	-	691,842	-	248,784	-	-	-	-	-	(87,284)	6,050,782
Total net assets (deficit)	23,274,493	(6,439,145)	(12,391,103)	(9,328,773)	18,130,663	80,944,371	14,803,029	(3,963,245)	(1,447,295)	(728,469)	(997,293)	(1,520,932)	(1,500,437)	98,835,864
Total liabilities and net assets (deficit)	$ 170,922,193	$ 166,624,296	$ 26,109,101	$ 11,945,179	$ 49,347,173	$ 26,152,666	$ 6,992,062	$ 243,550	$ 67,937	$ 12,335	$ 90,769	$ 2,625	$ (2,570,524)	$ 455,939,362

See Independent Auditor's Report

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2021

	TVAR	TVOR	TLNA	TVPP	TVAA	NLHA	NLI	myPotential VA	myPotential MD	Rockville Clinic	Petalo	Impact 1890	Eliminations	Total
CHANGES IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS														
Revenue:														
Net resident service revenue, including amortization of entrance fees $7,583,917	$ 30,136,124	$ 21,389,904	$ 6,229,366	$ -	$ 15,833,877	$ -	$ -	$ 654,731	$ 609,208	$ -	$ -	$ -	$ (39,522)	$ 74,813,688
Provider Relief Funds	402,795	30,245	1,058,423	-	992,027	-	-	-	-	-	-	-	-	2,483,490
Management fee	-	-	-	-	-	-	5,321,553	-	-	-	-	-	(5,321,553)	-
(Loss) on sale or disposal of property and equipment	-	-	-	-	-	-	(83,345)	-	-	-	-	-	-	(83,345)
Net assets released from restriction, operations	14,204	19,072	-	-	4,000	-	13,000	-	-	-	-	-	-	50,276
Total operating revenue	30,553,123	21,439,221	7,287,789	-	16,829,904	-	5,251,208	654,731	609,208	-	-	-	(5,361,075)	77,264,109
Operating expenses:														
Salaries and wages	13,611,958	4,734,152	2,606,746	308,068	8,606,897	-	6,131,457	836,971	707,502	-	-	-	-	37,543,751
Employee benefits and payroll taxes	3,372,917	1,050,580	699,828	60,196	1,780,418	-	1,286,753	208,225	139,210	-	-	-	-	8,598,127
Professional fees	3,159,582	2,193,959	459,817	65,317	1,654,113	-	947,325	(77,090)	130,053	-	-	71,425	(39,522)	8,564,979
Ancillary and medical	2,669,424	947,199	24,093	-	1,238,128	-	-	-	-	-	-	-	-	4,878,844
Supplies	665,171	467,513	144,544	12,334	471,369	-	147,521	8,365	5,309	-	-	(60)	-	1,922,066
Food services	1,190,617	903,898	296,420	788	727,874	-	21,920	979	798	-	-	-	-	3,143,294
Utilities	1,445,087	949,753	181,227	1,920	743,359	-	43,058	13,203	4,709	-	-	-	-	3,382,316
Depreciation	6,333,695	6,868,664	975,123	-	3,040,832	-	20,397	3,944	-	-	-	-	-	17,242,655
Interest	4,706,019	5,247,196	1,499,833	-	454,539	-	-	-	9,965	-	-	-	-	11,917,552
Insurance	190,249	165,812	25,847	-	468,689	-	569,364	5,063	546	-	-	77	-	1,425,647
Real estate taxes	1,052,532	597,878	122,686	-	154,250	-	-	1,101	(26)	-	-	-	-	1,928,421
Repairs and maintenance	558,199	520,044	94,910	-	390,994	-	10,582	5,956	-	-	-	-	-	1,580,685
Advertising and marketing	358,558	195,242	63,357	621,047	106,014	-	64,644	25,316	7,664	-	-	-	-	1,441,842
Licenses, dues, and subscriptions	684,805	377,744	187,496	22,275	327,478	-	430,210	53,880	24,052	-	-	7,128	-	2,115,068
Other operating expenses	294,700	301,752	97,090	220,112	166,820	-	397,548	64,887	21,251	-	-	-	(76,160)	1,488,000
Bad debt expense	111,859	28,732	-	-	103,274	-	-	-	-	-	-	-	-	243,865
Management fee	2,892,600	1,693,918	501,750	-	-	-	-	149,505	42,758	-	-	30,000	(5,310,531)	-
Total operating expenses	43,297,972	27,244,036	7,980,767	1,312,057	20,435,048	-	10,070,779	1,300,305	1,093,791	-	-	108,570	(5,426,213)	107,417,112
(Deficiency) of operating revenue over expenses	(12,744,849)	(5,804,815)	(692,978)	(1,312,057)	(3,605,144)	-	(4,819,571)	(645,574)	(484,583)	-	-	(108,570)	65,138	(30,153,003)
Nonoperating revenue (expense):														
Contributions	73,819	5,162	6,432	-	153,487	-	753	-	-	-	-	-	-	239,653
Other income	219,303	109,375	3,857	-	33,914	-	530,172	-	-	-	-	-	(52,161)	844,460
Interest and dividends	990,954	341,368	114,034	-	120,882	640,062	35,856	-	-	-	-	-	-	2,243,156
Realized gains (losses)	1,543,722	652,411	168,307	-	773,737	1,081,241	(750,000)	-	-	-	-	-	750,000	4,219,418
Unrealized gains	1,677,280	892,569	204,884	-	713,729	1,421,823	-	-	-	-	-	-	-	4,910,285
Total nonoperating revenue	4,505,078	2,000,885	497,514	-	1,795,749	3,143,126	(183,219)	-	-	-	-	-	697,839	12,456,972
Excess (deficiency) of operating and nonoperating revenue over expenses	(8,239,771)	(3,803,930)	(195,464)	(1,312,057)	(1,809,395)	3,143,126	(5,002,790)	(645,574)	(484,583)	-	-	(108,570)	762,977	(17,696,031)
Other changes:														
Unrealized gains	1,114,246	280,684	134,136	-	-	648,470	-	-	-	-	-	-	-	2,177,536
Loss on extinguishment of debt	(905,487)	-	-	-	-	-	-	-	-	-	-	-	-	(905,487)
Equity transfer	-	-	-	-	1,200,000	-	(1,200,000)	-	-	-	-	-	-	-
Gain (loss) on discontinued operations	-	-	-	-	-	-	(1,020,924)	95,767	-	(207,098)	997,293	-	(12,977)	(147,939)
Net assets released from restriction, capital purchases	-	9,365	-	-	-	-	-	-	-	-	-	-	-	9,365
Total other changes	208,759	290,049	134,136	-	1,200,000	648,470	(2,220,924)	95,767	-	(207,098)	997,293	-	(12,977)	1,133,475
Change in net assets (deficit) without donor restrictions	$ (8,031,012)	$ (3,513,881)	$ (61,328)	$ (1,312,057)	$ (609,395)	$ 3,791,596	$ (7,223,714)	$ (549,807)	$ (484,583)	$ (207,098)	$ 997,293	$ (108,570)	$ 750,000	$ (16,562,556)

See Independent Auditor's Report

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2020

	TVAR	TVOR	TLNA	TVPP	TVAA	NLHA	NLI	myPotential VA	myPotential MD	Rockville Clinic	Petalo	Impact 1890	Eliminations	Total
CHANGES IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS														
Revenue:														
Net resident service revenue, including amortization of entrance fees $7,802,511	$ 27,175,662	$ 22,470,272	$ 5,027,964	$ -	$ 17,058,267	$ -	$ -	$ 1,512,501	$ 539,392	$ 123,111	$ -	$ -	$ (67,353)	$ 73,839,816
Provider Relief Funds	1,514,407	364,262	-	-	1,118,728	-	-	68,847	-	6,369	-	-	-	3,072,613
Paycheck Protection Program contribution	3,293,200	1,311,800	566,900	-	2,277,900	-	1,000,500	359,300	123,900	21,700	45,300	-	-	9,000,500
Management fee	-	-	-	-	-	-	5,356,076	-	-	-	-	-	(5,356,076)	-
(Loss) on sale or disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	(3,416)	-	-	(3,416)
Net assets released from restriction, operations	67,712	65,048	-	-	-	-	600	-	-	-	-	-	-	133,360
Total operating revenue	32,050,981	24,211,382	5,594,864	-	20,454,895	-	6,357,176	1,940,648	663,292	151,180	41,884	-	(5,423,429)	86,042,873
Operating expenses:														
Salaries and wages	13,758,166	4,951,268	2,549,537	242,100	9,700,630	-	6,094,599	1,600,096	681,621	186,444	145,778	-	-	39,910,239
Employee benefits and payroll taxes	3,667,343	1,370,855	731,482	45,758	2,284,073	-	1,044,770	350,173	113,234	19,018	14,185	-	-	9,640,891
Professional fees	1,578,085	1,635,539	190,651	99,200	1,012,586	-	1,071,475	94,542	5,609	6,486	132,136	160,792	(4,651)	5,982,450
Ancillary and medical	3,267,687	1,008,408	42,108	-	1,377,348	-	-	-	-	24,039	-	-	(26,702)	5,692,888
Supplies	678,553	570,523	203,503	12,464	667,668	-	165,103	53,822	10,513	-	881	348	-	2,363,378
Food services	900,223	924,611	268,690	242	738,588	-	17,221	629	482	-	-	-	-	2,850,686
Utilities	924,311	919,038	152,331	1,920	560,587	-	43,131	69,920	5,696	990	-	-	-	2,677,924
Depreciation	3,901,986	6,909,521	828,676	-	3,113,496	-	21,422	3,944	-	1,533	817	-	-	14,781,395
Interest	1,259,702	5,372,650	1,345,447	-	494,456	-	-	-	13,287	-	51,944	-	(48,125)	8,489,361
Insurance	95,950	142,122	20,188	-	476,672	-	509,902	19,641	1,247	-	1,060	-	-	1,266,782
Real estate taxes	274,861	543,667	118,683	-	238,528	-	-	-	490	-	-	-	-	1,176,229
Repairs and maintenance	564,815	591,629	95,515	-	487,285	-	18,091	4,391	499	2,401	-	-	-	1,764,626
Advertising and marketing	206,371	129,544	129,885	578,998	136,523	-	88,006	52,058	9,013	-	33,743	945	-	1,365,086
Licenses, dues, and subscriptions	621,879	384,001	194,015	43,803	337,032	-	327,260	59,087	28,808	2,779	6,515	7,958	-	2,013,137
Other operating expenses	220,495	243,515	70,793	80,168	183,667	-	420,009	95,220	17,822	60,748	15,723	1,437	(97,704)	1,311,893
Bad debt expense	195,907	-	-	-	307,946	-	-	-	-	8,054	-	-	-	511,907
Management fee	2,504,395	1,688,235	513,953	-	416,430	-	-	143,587	39,108	19,368	-	31,000	(5,356,076)	-
Grants awarded to others	-	-	-	-	-	-	-	-	-	-	-	134,882	-	134,882
Total operating expenses	34,620,729	27,385,126	7,455,457	1,104,653	22,533,515	-	9,820,989	2,547,110	927,429	331,860	402,782	337,362	(5,533,258)	101,933,754
(Deficiency) of operating revenue over expenses	(2,569,748)	(3,173,744)	(1,860,593)	(1,104,653)	(2,078,620)	-	(3,463,813)	(606,462)	(264,137)	(180,680)	(360,898)	(337,362)	109,829	(15,890,881)
Nonoperating revenue (expenses):														
Contributions	1,335,612	27,564	1,067	-	263,853	-	3,005	7,400	-	-	-	-	-	1,638,501
Other income (expense)	189,328	58,651	221	-	87,384	-	879,676	-	-	-	(142,919)	-	460,611	1,532,952
Loss on impairment	-	-	-	(7,148,969)	-	-	-	-	-	-	-	-	-	(7,148,969)
Interest and dividends	914,882	639,775	89,400	-	244,361	350,359	74,644	(345)	(10)	(976)	(435)	-	(48,125)	2,263,530
Realized gains (losses)	18,468	(94,378)	3,340	-	(212,420)	(295,934)	-	-	-	-	-	-	-	(580,924)
Unrealized gains	2,455,349	1,219,934	362,197	-	441,662	(80,936)	-	-	-	-	-	-	-	4,398,206
Total nonoperating revenue (expenses)	4,913,639	1,851,546	456,225	(7,148,969)	824,840	(26,511)	957,325	7,055	(10)	(976)	(143,354)	-	412,486	2,103,296
Excess (deficiency) of operating and nonoperating revenue over expenses	2,343,891	(1,322,198)	(1,404,368)	(8,253,622)	(1,253,780)	(26,511)	(2,506,488)	(599,407)	(264,147)	(181,656)	(504,252)	(337,362)	522,315	(13,787,585)
Other changes:														
Fair market value adjustment for affiliation	-	-	-	-	17,855,151	-	-	-	-	-	-	-	-	17,855,151
Inherent contribution from affiliation	-	-	-	-	-	-	663,153	-	-	-	-	-	-	663,153
Unrealized gains	628,035	281,188	68,006	-	113,701	-	-	-	-	-	-	-	-	1,090,930
Net assets released from restriction, capital purchases	-	34,189	-	-	60,596	-	-	-	-	-	-	-	-	94,785
Total other changes	628,035	315,377	68,006	-	18,029,448	-	663,153	-	-	-	-	-	-	19,704,019
Change in net assets (deficit) without donor restrictions	$ 2,971,926	$ (1,006,821)	$ (1,336,362)	$ (8,253,622)	$ 16,775,668	$ (26,511)	$ (1,843,335)	$ (599,407)	$ (264,147)	$ (181,656)	$ (504,252)	$ (337,362)	$ 522,315	$ 5,916,434

See Independent Auditor's Report

NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2021

	TVAR	TVOR	TLNA	TVPP	TVAA	NLHA	NLI	myPotential VA	myPotential MD	Rockville Clinic	Petalo	Impact 1890	Eliminations	Total
CHANGES IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS														
Excess (deficiency) of operating and nonoperating revenue over expenses	$ (8,239,771)	$ (3,803,930)	$ (195,464)	$ (1,312,057)	$ (1,809,395)	$ 3,143,126	$ (5,002,790)	$ (645,574)	$ (484,583)	$ -	$ -	$ (108,570)	$ 762,977	$ (17,696,031)
Unrealized gains	1,114,246	280,684	134,136	-	-	648,470	-	-	-	-	-	-	-	2,177,536
Loss on extinguishment of debt	(905,487)	-	-	-	-	-	-	-	-	-	-	-	-	(905,487)
Equity transfer	-	-	-	-	1,200,000	-	(1,200,000)	-	-	-	-	-	-	-
Gain (loss) on discontinued operations	-	-	-	-	-	-	(1,020,924)	95,767	-	(207,098)	997,293	-	(12,977)	(147,939)
Net assets released from restriction, capital purchases	-	9,365	-	-	-	-	-	-	-	-	-	-	-	9,365
Change in net assets (deficit) without donor restrictions	(8,031,012)	(3,513,881)	(61,328)	(1,312,057)	(609,395)	3,791,596	(7,223,714)	(549,807)	(484,583)	(207,098)	997,293	(108,570)	750,000	(16,562,556)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS														
Contributions	342,481	266,909	97,290	-	54,162	-	42,722	-	-	-	-	-	-	803,564
Funds held in trust income	15,466	-	-	-	-	-	-	-	-	-	-	-	-	15,466
Change in value of funds held in trust by others	56,469	-	-	-	-	-	-	-	-	-	-	-	-	56,469
Net assets released from restriction	(14,204)	(28,437)	-	-	(4,000)	-	(13,000)	-	-	-	-	-	-	(59,641)
Change in net assets with donor restrictions	400,212	238,472	97,290	-	50,162	-	29,722	-	-	-	-	-	-	815,858
Change in net assets (deficit)	(7,630,800)	(3,275,409)	35,962	(1,312,057)	(559,233)	3,791,596	(7,193,992)	(549,807)	(484,583)	(207,098)	997,293	(108,570)	750,000	(15,746,698)
Net assets (deficit):														
Beginning	23,274,493	(6,439,145)	(12,391,103)	(9,328,773)	18,130,663	80,944,371	14,803,029	(3,963,245)	(1,447,295)	(728,469)	(997,293)	(1,520,932)	(1,500,437)	98,835,864
Ending	$ 15,643,693	$ (9,714,554)	$ (12,355,141)	$ (10,640,830)	$ 17,571,430	$ 84,735,967	$ 7,609,037	$ (4,513,052)	$ (1,931,878)	$ (935,567)	$ -	$ (1,629,502)	$ (750,437)	$ 83,089,166

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NATIONAL LUTHERAN, INC. d/b/a NATIONAL LUTHERAN COMMUNITIES & SERVICES

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2020

	TVAR	TVOR	TLNA	TVPP	TVAA	NLHA	NLI	myPotential VA	myPotential MD	Rockville Clinic	Petalo	Impact 1890	Eliminations	Total
CHANGES IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS														
Excess (deficiency) of operating and nonoperating revenue over expenses	$ 2,343,891	$ (1,322,198)	$ (1,404,368)	$ (8,253,622)	$ (1,253,780)	$ (26,511)	$ (2,506,488)	$ (599,407)	$ (264,147)	$ (181,656)	$ (504,252)	$ (337,362)	$ 522,315	$ (13,787,585)
Fair market value adjustment for affiliation	-	-	-	-	17,855,151	-	-	-	-	-	-	-	-	17,855,151
Inherent contribution from affiliation	-	-	-	-	-	-	663,153	-	-	-	-	-	-	663,153
Unrealized gains	628,035	281,188	68,006	-	113,701	-	-	-	-	-	-	-	-	1,090,930
Net assets released from restriction, capital purchases	-	34,189	-	-	60,596	-	-	-	-	-	-	-	-	94,785
Change in net assets (deficit) without donor restrictions	2,971,926	(1,006,821)	(1,336,362)	(8,253,622)	16,775,668	(26,511)	(1,843,335)	(599,407)	(264,147)	(181,656)	(504,252)	(337,362)	522,315	5,916,434
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS														
Contributions	283,675	244,522	72,451	-	665,154	-	97,426	-	-	-	-	-	-	1,363,228
Inherent contribution from affiliation	-	-	-	-	-	-	87,284	-	-	-	-	-	-	87,284
Change in value of funds held in trust by others	47,574	-	-	-	-	-	-	-	-	-	-	-	-	47,574
Net assets released from restriction	(67,712)	(99,237)	-	-	(60,596)	-	(600)	-	-	-	-	-	-	(228,145)
Change in net assets with donor restrictions	263,537	145,285	72,451	-	604,558	-	184,110	-	-	-	-	-	-	1,269,941
Change in net assets (deficit)	3,235,463	(861,536)	(1,263,911)	(8,253,622)	17,380,226	(26,511)	(1,659,225)	(599,407)	(264,147)	(181,656)	(504,252)	(337,362)	522,315	7,186,375
Net assets (deficit):														
Beginning	20,039,030	(5,577,609)	(11,127,192)	(1,075,151)	750,437	80,970,882	16,462,254	(3,363,838)	(1,183,148)	(546,813)	(493,041)	(1,183,570)	(2,022,752)	91,649,489
Ending	$ 23,274,493	$ (6,439,145)	$ (12,391,103)	$ (9,328,773)	$ 18,130,663	$ 80,944,371	$ 14,803,029	$ (3,963,245)	$ (1,447,295)	$ (728,469)	$ (997,293)	$ (1,520,932)	$ (1,500,437)	$ 98,835,864

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