DISCLOSURE STATEMENT OF

DIAKON LUTHERAN SOCIAL MINISTRIES

One South Home Avenue
Topton, PA 19562
877-342-5667
www.diakon.org

April 30, 2023

THIS DISCLOSURE STATEMENT, INCLUDING THE ATTACHED EXHIBITS, IS PROVIDED TO FURNISH INFORMATION ABOUT CONTINUING CARE RETIREMENT SERVICES AND ACCOMMODATIONS OFFERED BY DIAKON LUTHERAN SOCIAL MINISTRIES, THE LICENSED PROVIDER AND SOLE OWNER OF THE FACILITIES REFERENCED HEREIN. THE FILING OF THIS DISCLOSURE STATEMENT AND THE ISSUANCE OF A CERTIFICATE OF AUTHORITY DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT OF A FACILITY BY THE PENNSYLVANIA DEPARTMENT OF INSURANCE, NOR IS IT EVIDENCE OF, NOR DOES IT ATTEST TO, THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THE DISCLOSURE STATEMENT.

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SUMMARY OF DISCLOSURE STATEMENT

1. LICENSED PROVIDER:

Diakon Lutheran Social Ministries
One South Home Avenue
Topton, PA 19562

2 & 3. COMMUNITY LOCATIONS & ADMISSION CONTACTS:

Buffalo Valley Lutheran Village
Attn: Director of Admissions/Marketing
189 E Tressler Blvd
Lewisburg, PA 17837
Phone: (570) 524-2221
Web Site: www.diakon.org/buffalovalley

Cumberland Crossings
Attn: Manager of Marketing and Sales
1 Longsdorf Way
Carlisle, Pennsylvania 17015
Phone: (717) 240-6013 or (800) 722-0267
Web Site: www.diakon.org/cumberlandcrossings

Luther Crest
Attn: Director of Admissions/Marketing
800 Hausman Road
Allentown, PA 18104
Phone: (610) 391-8227 or (800) 606-3424
Web Site: www.diakon.org/luthercrest

The Lutheran Home at Topton
Attn: Manager of IL Marketing and Sales
One South Home Avenue
Topton, PA 19562
Phone: (610) 682-1413 or (800) 322-9597
Web Site: www.diakon.org/Topton

4. DESCRIPTION OF DLSM'S COMMUNITIES:

DLSM operates 4 retirement community locations in Pennsylvania as described below:

- Buffalo Valley is located on a 55-acre property in a rural location. Buffalo Valley offers independent living in 124 single story, cottage style accommodations. Skilled nursing and personal care accommodations are also available at this location.

- Cumberland Crossings is located on an 82-acre property in a suburban location. Cumberland Crossings offers independent living in 118 single story, cottage style accommodations. Skilled nursing and personal care accommodations are also available at this location.

- Luther Crest is located on a 50-acre property in a suburban location. Luther Crest offers a total of 280 independent living accommodations in a variety of styles including single-story cottage style units and multi story apartment buildings. Skilled nursing and personal care accommodations are also available at this location. A new apartment building with approximately 70 apartments is currently under construction and is expected to be completed by Spring of 2024.

- The Lutheran Home at Topton is located on a 400+-acre property in a rural location. The Lutheran Home at Topton offers 103 independent living accommodations in a variety of styles including single-story cottages style units, and multi story apartment buildings. Skilled nursing and personal care accommodations are also available at this location.

5. MINIMUM AGE FOR ADMISSION:

Residents of the communities must be 55 and older unless an exception is granted by the community. Spouses and companions must also satisfy the admission criteria.

6. AFFILIATIONS:

Diakon Lutheran Social Ministries ("DLSM") is the owner and licensed provider for each of the retirement communities disclosed herein. DLSM and its licensed continuing care retirement communities are affiliated with the Evangelical Lutheran Church in America through Lutheran Services in America.

7. CURRENT RESIDENT POPULATION:

The table below summarizes the current resident population of each location as of March 31, 2023:

	Independent Living	**Personal Care**	**Skilled Nursing**	**Total**
Buffalo Valley	172	41	100	313
Cumberland Crossings	131	35	56	222
Luther Crest	312	28	56	396
Topton	121	64	169	354
Total Senior Living	**736**	**168**	**381**	**1,285**

8. SAMPLE OF FEES:

The following is a sample of the entrance and periodic fees for a one-bedroom Plymouth apartment at Luther Crest under a "Type C" contract, which includes no benefit days in the personal care facility or nursing care center:

	Single Occupancy	Double Occupancy
Entrance Fee	$160,000	$170,000
Monthly Fee	$ 3,200	$ 3,992

9. TAX EXEMPT STATUS:

DLSM is a private, nonprofit charitable organization recognized by the Internal Revenue Service as a 501(c)(3) corporation, and is exempt from federal income taxation under the group exemption of the Evangelical Lutheran Church in America.

DISCLOSURE STATEMENT

"In response to God's love in Jesus Christ, Diakon Lutheran Social Ministries will demonstrate God's command to love the neighbor through acts of service."

CORPORATE STRUCTURE & GOVERNANCE

Diakon Lutheran Social Ministries ("DLSM") is an affiliate of Diakon, the sole corporate member of DLSM. Diakon is a private, nonprofit charitable organization recognized by the Internal Revenue Service as a 501(c)(3) corporation and exempt from federal income taxation under group exemption of the Evangelical Lutheran Church in America. Legal and financial obligations of DLSM and its communities are not obligations of the ELCA or of the local ELCA synods within whose territories DLSM provides services.

In addition to DLSM, Diakon is the sole member of Diakon Lutheran Fund; Diakon Child, Family and Community Ministries; Diakon Senior Living-Maryland, LLC; and Diakon Medical Group, LLC.

DLSM's affairs are governed by a volunteer board of directors, none of whom possess an equity or beneficial interest in DLSM or its affiliated companies. In accordance with Diakon's by-laws, the bishops of the participating ELCA synods within Diakon's geographic territory elect the majority of DLSM's board members. Individuals are invited to serve the organization based on experience, skills, profession, familiarity with health and human services organizations, and community commitment. Refer to *Exhibit A* for a listing of the current board members of DLSM, as well as a listing of executive officers of DLSM and their business experience.

DESCRIPTION OF DLSM'S COMMUNITIES

<u>Buffalo Valley</u>
Buffalo Valley is located on a 55-acre campus in a rural location in Buffalo Township, Union County. The campus includes 124 independent living cottages, a healthcare center consisting of 45 personal care units (licensed capacity of 50 beds), and a state of the art nursing facility completed in 2013, which includes 102 licensed beds dually certified for Medicare and Medicaid.

<u>Cumberland Crossings</u>
Cumberland Crossings is located on an 82-acre campus in a suburban location in South Middleton Township, Cumberland County. The campus includes 118 independent living cottages and a healthcare center consisting of 44 personal care units (licensed capacity of 59 beds), and 58 nursing beds dually certified for Medicare and Medicaid.

<u>Luther Crest</u>
Luther Crest is located on a 50-acre campus in a suburban location of South Whitehall Township, Lehigh County. The campus includes 258 apartments and 22 independent living cottages. Also located on the campus is a healthcare center which consists of 28 personal care beds and 60 skilled nursing beds dually certified for Medicare and Medicaid.

The Lutheran Home at Topton

The Lutheran Home at Topton is situated on over 400+ acres in a rural location of Berks County, Pennsylvania. Independent living accommodations on the campus include 46 apartments in a two-story building known as Tower Court, and 57 cottage style units known as Luther Haven. The campus also includes the Henry Healthcare Center, 194 licensed skilled nursing beds which are dually certified for Medicare and Medicaid, and the Buehrle Center, a personal care home with 80 units (92 licensed beds). Twenty-six of the 92 beds at Buehrle Center are designated for memory care, and this section is named The Breidegam Center.

SERVICES AND FEES

Each of DLSM's locations offers variety of different independent living accommodations and service plans, which are unique to each community. Attached in *Exhibit B* is a copy of the Residence and Services Agreement, which contains the details regarding the services offered and fee arrangements for the respective community. In general, all continuing care residents of DLSM who occupy an independent living accommodation will be responsible for payment of the following:

- Processing Fee: One-time, non-refundable administrative processing fee of up to $350, which is due upon reserving an independent living unit.
- Entrance Fee: A one-time fee which varies depending on the community, unit type, and contract plan selected. A payment of 10 percent of the entrance fee is payable upon executing the Residence and Services Agreement and the balance is payable on or before the date of right of occupancy. Payment for custom improvements selected by the resident may be added to the entrance fee payment as well. A current schedule of entrance fees and monthly fees for the various types of residences is attached as *Exhibit C*.
- Monthly Fee: A recurring fee payable each month in accordance with the Residence and Care Agreement. A current schedule of entrance fees and monthly fees for the various types of residences is attached as *Exhibit C*. Monthly fees are subject to change upon thirty (30) days written notice. *Exhibit D* contains a listing of the frequency and change in monthly fees over the past five years.

DLSM offers a Fee-For-Service (Type "C") residency agreement to prospective residents, whereby residents pay a one-time entrance fee and recurring monthly service fees for the right of occupancy of an independent living residence. Residents are granted priority admission to personal care or skilled nursing when needed, provided they meet all applicable admission requirements; however, such agreements contain no commitment or guarantee of the provision of future healthcare service. At such time a resident requires nursing care or personal care services, a resident must execute a separate admission agreement and is responsible for all nursing care or personal care charges at the applicable rates. Please refer to the Residence and Services Agreement for a complete description of the provisions of this contract.

DLSM offers three different refund types in its continuing care residency agreement, which include the following:

- Classic Plan: A resident choosing this plan will be entitled to a refund of the entrance fee and the cost of certain custom improvements paid less 4% after Month One and less an additional 2% per month in each month of occupancy from Month Two to Month Forty-Nine. After forty-nine (49) months, the resident is entitled to no refund.

- Classic Plus Plan: A resident choosing this plan is guaranteed no less than a 50% refund of the entrance fee and the cost of certain custom improvements paid. The resident is entitled to a refund of the entrance fee and the cost of improvements paid less 5% after Month One and less an additional 1% per month in each month of occupancy from Month Two to Month Forty-Six. After forty-six (46) months, the resident is entitled to a refund of 50%.

- Estate Preservation Plan: A resident choosing this plan is guaranteed no less than a 70% refund of the entrance fee and the cost of certain custom improvements paid. The resident is entitled to a refund of the entrance fee and the cost of improvements paid less 2% per month in each month of occupancy from Month One to Month Fifteen. After fifteen (15) months, the resident is entitled to a refund of 70%.

Ancillary services, such as beauty/barber services, some transportation, additional and/or guest meals, and other items may be available and are charged separately. The rate schedule for the current year is attached as *Exhibit E.*

BENEVOLENT CARE

DLSM has a policy to provide financial assistance ("Benevolent Care") to eligible residents who, through no fault of their own, become unable to pay their Monthly Fees. Residents requiring Benevolent Care are required to make a formal application for financial assistance. In order to qualify for Benevolent Care, a resident must demonstrate in the application that their inability to pay the Monthly Fee was not the result of inappropriate transfers of assets, that adequate financial information and records have been provided to DLSM (at time of admission and during the process of applying for Benevolent Care), and that the resident has sought out other governmental programs and resources which may be available to assist in paying for care and services.

FINANCIAL STATEMENTS AND RESERVES

Attached as *Exhibit F* is the audited financial statement of Diakon and Controlled Affiliates as of and for the fiscal years ended December 31, 2022 and December 31, 2021.

DLSM maintains certain Statutory Minimum Liquid Reserves (MLR), established to ensure the performance of DLSM's contractual obligations pursuant to the Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act. Such reserves were $5,523,908 as of December 31, 2022. Refer to the audited financial statements in *Exhibit F* for additional details regarding the MLR.

NOTICE OF RIGHT TO RESCIND

____
(Date rescission period begins)

You may rescind and terminate your Residence and Services Agreement, without Penalty or forfeiture, within seven (7) days of the above date. You are not required to move into ___________________ (Name of Community) before the expiration of this 7-day period. No other agreement or statement you sign shall constitute a waiver of your right to rescind your Residence and Services Agreement within the seven (7) day period.

To rescind your Residence and Services Agreement, mail or deliver a signed and dated copy of this notice, or any other written notice, letter or telegram, stating your desire to rescind to ______________________ (Name of Community Executive Director) at __________________________________ (Address of Community), not later than midnight of ___________________________ (last day of rescission period)

Pursuant to this notice, I hereby cancel my Residence and Services Agreement.

____
DATE

____
PROSPECTIVE RESIDENT'S SIGNATURE

____
PROSPECTIVE RESIDENT'S SIGNATURE

Exhibit A

Board of Directors/Officers of Diakon Lutheran Social Ministries

MANY HANDS. ONE HEART.
DIAKON
LUTHERAN SOCIAL MINISTRIES

DIAKON LUTHERAN SOCIAL MINISTRIES: BOARD OF DIRECTORS (2023)

Michael Lehman, Chair	Retired President/CEO, Manufacturing Company
Larry Delp	Retired Bank Executive
Jennifer Goldstein	Physician
Scott Habecker	President/CEO
Nels Hendrickson, Vice-Chair	Retired Business and Social Ministry Executive
Douglas Hough	Associate Scientist, Johns Hopkins Bloomberg School of Public Health
Scott Rehr	Financial Advisor
Susan Schellenberg	Retired Court Administrator
Jennifer Schlegel	College Professor
Carol Taylor	Retired Bank Executive

DIAKON LUTHERAN SOCIAL MINISTRIES: EXECUTIVE OFFICERS (2023)

Scott Habecker	President/CEO
Shari VanderGast	Chief Operating and Administrative Officer

Correspondence to Board members or Executive officers can be sent to One South Home Avenue, Topton, PA 19562.

Exhibit B

Independent Living Residence and Services Agreements

BUFFALO VALLEY

RESIDENCE AND SERVICES AGREEMENT

MANY HANDS. ONE HEART.
DIAKON
LUTHERAN SOCIAL MINISTRIES

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RESIDENCE AND SERVICES AGREEMENT

THIS RESIDENCE AND SERVICES AGREEMENT ("Agreement") is made this ____ day of ______________, 20___ by and between Buffalo Valley Retirement Community ("Buffalo Valley"), Lewisburg, Pennsylvania, a nonprofit continuing care retirement community of Diakon Lutheran Social Ministries, and ____________________ ____________________ (hereinafter referred to as "You").

Buffalo Valley consists of independent living residences, a personal care home, licensed nursing care Facility, and many common areas. Residency is available to individuals age 55 or older.

NOW, THEREFORE, in consideration of the terms and conditions contained in this Agreement, You and Buffalo Valley agree as follows:

I. RESIDENCE, COMMON AREAS, AMENITIES, PROGRAMS AND SERVICES

A. Your Residence. You shall have the exclusive right to occupy, use and enjoy the residence described in Schedule A, attached ("Residence").

B. Furnishings in Your Residence. Buffalo Valley shall provide each Residence with floor coverings, appliances and other permanent fixtures as described on Schedule B, attached. You may furnish Your Residence with such household items and furnishings as desired by You. All such household items and furnishings shall remain Your property. Buffalo Valley shall not be responsible for loss of or damage to Your personal property.

C. Structural Changes and Redecoration. Any structural or physical change of any kind within the Residence or on the Residence's balcony or patio shall require the prior written approval of Buffalo Valley. The cost of any structural or physical change requested by You shall be paid for by You, unless otherwise agreed in writing by Buffalo Valley. In addition, approval of such structural or physical change may be conditioned upon Your payment to Buffalo Valley of a sum sufficient to later restore the Residence to its original condition.

1. Structural Changes Which Increase Conditioned Living Space. The cost of any post occupancy structural changes or additions paid by You which increase the square footage of conditioned living space in the Residence shall be amortized over the remaining amortization term of this Agreement, if any term remains. If no amortization term remains, the cost of such post occupancy structural changes or additions shall be amortized immediately and earned in full by Buffalo Valley. Upon termination of this Agreement, any refund of such cost shall be governed by the Entrance Fee plan chosen on Schedule A, attached.

2. Other Structural or Physical Changes. If the structural changes or additions do not increase the square footage of conditioned living space, You shall receive no refund related to the structural changes or additions.

D. Common Areas, Amenities, Programs and Services.

1. Common Areas and Facilities. You shall have the right to use common areas of Buffalo Valley described in Buffalo Valley's current literature.

2. Social Activities, Wellness Programs and Other Services. As a resident of Buffalo Valley, You shall be entitled to attend and participate in planned activities, such as trips and social events, and wellness programs offered by Buffalo Valley. In addition, pastoral services and worship opportunities are available on the campus. Some activities may require an additional fee.

3. Transportation. Your Monthly Fee includes regular, scheduled, group transportation as described in Buffalo Valley's current literature. Transportation for personal or special group trips may be available for an extra fee.

4. Other Services included in the Monthly Fee. See Schedule B, attached.

5. Other Services Available for Additional Charge. For an additional charge, Buffalo Valley may offer other services, such as beauty and barber services or catering services, beyond the normal scope of services offered by Buffalo Valley. The availability and charges for such services are itemized in Buffalo Valley's current literature.

E. Nursing Care, Personal Care, Medical Director and Other Physician Services. Buffalo Valley operates a nursing care center and a personal care home, both licensed by the Commonwealth of Pennsylvania. Should you desire admission to the nursing care center or personal care home, You will be entitled to priority in admission, provided that You apply for admission and meet applicable admission requirements. In the event of admission, You shall execute a separate admission agreement and shall be responsible for all nursing care or personal care charges.

1. Nursing Care Services. Nursing care services include three (3) meals per day, housekeeping, assistance with activities of daily living and nursing services as ordered by Your physician. Accommodations shall be in semi-private rooms. Private rooms may be available for an additional fee according to Buffalo Valley's current literature.

2. Personal Care Services. Personal care services include three (3) meals per day, housekeeping, assistance with activities of daily living, such as bathing, dressing, and administration of medication. Accommodations may be in semi-private or private rooms; couples who wish to share a room may request to do so.

3. Medical Director. Buffalo Valley shall provide a licensed and credentialed physician to coordinate and supervise nursing care and personal care services.

4. Physician Services. You are responsible for the cost of all physician services and may choose a personal physician. Physicians treating residents in the nursing care center or personal care home must be credentialed by Buffalo Valley.

F. Change in Scope of Services. Except for changes required by law where such notice is not possible, Buffalo Valley will notify You of any proposed change in the scope of services provided in this Agreement at least thirty (30) days before such change is effective.

II. ENTRANCE FEE, MONTHLY FEE, REFUND PLAN

A. Payment of Processing Fee. You have paid a Processing Fee for each person executing this Agreement. The Processing Fee is not refundable for any reason.

B. Payment of Entrance Fee. You agree to pay an Entrance Fee for the use of the Residence and common amenities of Buffalo Valley and for the services and programs offered by Buffalo Valley, as set forth in Schedule A, attached.

C. Payment for Custom Improvements. You agree to pay for any Custom Improvements to the Residence chosen by You on Schedule D, attached. The cost of any Custom Improvements which increase the amount of conditioned living space of Your Residence ("Refund Eligible Custom Improvements") shall be included in the amount subject to a refund under the terms of this Agreement.

D. Payment Terms. The Entrance Fee and cost of Custom Improvements (the "Total Fee") shall be payable by You to Buffalo Valley in two (2) installments as follows:

1. ten percent (10%) of the Total Fee shall be payable upon the signing of this Agreement; and

2. the remaining ninety percent (90%) of the Total Fee shall be payable on or before the Date of Right of Occupancy as defined in Paragraph III.A of this Agreement.

E. Choice of Entrance Fee Plan. You may choose one of three available Entrance Fee Plans: Classic, Classic Plus, or Estate Preservation. Such choice shall be made at the time You sign this Agreement and pay ten percent (10%) of the Total Fee. Your choice of Entrance Fee Plan is indicated on Schedule A, attached.

1. Classic Plan: A resident choosing this plan will be entitled to a refund of the Entrance Fee and the cost of Refund Eligible Custom Improvements paid less 4% after Month One and less an additional 2% per month in each month of occupancy from Month Two to Month Forty-Nine. After forty-nine (49) months, You will be entitled to no refund.

2. Classic Plus Plan: A resident choosing this plan is guaranteed no less than a 50% refund of the Entrance Fee and the cost of Refund Eligible Custom Improvements paid. You will be entitled to a refund of the Entrance Fee and the cost of Refund Eligible Custom Improvements paid less 5% after Month One and less an additional 1% per month in each month of occupancy from Month Two to Month Forty-Six. After forty-six (46) months, You will be entitled to a refund of 50% subject to Paragraph VI.F.3.

3. Estate Preservation Plan: A resident choosing this plan is guaranteed no less than a seventy percent (70%) refund of the Entrance Fee and the cost of Refund-Eligible

Custom Improvements paid. You will be entitled to a refund of the Entrance Fee and the cost of Refund-Eligible Custom Improvements paid less 2% in each month of occupancy from Month One to Month Fifteen. After fifteen (15) months, You will be entitled to a refund of 70% subject to Paragraph VI.F.3.

F. Failure to Pay the Remainder of the Total Fee on or before the Date of Right of Occupancy. Subject to Paragraph VI.A.2 of this Agreement, Your failure to pay the remaining ninety percent (90%) of the Total Fee on or before the Date of Right of Occupancy pursuant to Paragraph II.D.2 above shall result in the relinquishment of Your right to occupy the Residence. Upon Your failure to pay the remainder of the Total Fee on or before the Date of Right of Occupancy, Buffalo Valley shall have the right to resell Your right of occupancy in the Residence to another purchaser, and Buffalo Valley shall retain and You shall forfeit Your first installment payment of ten percent (10%) of the Total Fee.

G. Monthly Fee. In addition to the payment of the Total Fee, You shall also be responsible to pay a basic Monthly Fee to Buffalo Valley in the amount set forth on Schedule A, attached. You shall begin paying Monthly Fees on the Date of Right of Occupancy, regardless of whether You have begun physically occupying the Residence. In the event the Date of Right of Occupancy is a day other than the first day of the month, Monthly Fees for the first month of occupancy shall be prorated. Thereafter, Monthly Fees shall be due on or before the fifth (5th) day of each month.

H. Adjustments to the Monthly Fee. The amount of the Monthly Fee ("Monthly Fee") is subject to change upon thirty (30) days' written notice to You.

I. Monthly Statements. Buffalo Valley shall furnish You with a monthly statement showing the Monthly Fee payable for the month and any additional charges from the previous month.

J. Co-Resident's Fee Responsibility. In the event that You occupy a double occupancy Residence, each co-resident shall be jointly and severally liable for all payments due under this Agreement. If one co-resident dies or vacates the Residence, the remaining co-resident shall be responsible for payment of the Monthly Fees and any other charges incurred up to and including the date of death, permanent transfer or move out. The remaining co-resident shall then be responsible for Monthly Fees for single occupancy of the Residence. Notwithstanding the foregoing, if the remaining co-resident is under the age of 55 or is a dependent adult, this Agreement may be terminated in accordance with Paragraph VI.D.

K. Late Payments. You shall pay all Monthly Fees or other incurred fees when due. You shall be responsible to pay all actual attorney's fees and costs incurred by Buffalo Valley relative to the collection of any amounts ninety (90) days past due.

L. Transfers of Assets. You represent that You have not transferred, and shall not transfer after the execution of this Agreement, any of Your assets such that Your ability to meet Your financial obligations under this Agreement is impaired.

M. Personal Living Expenses. Your personal living expenses shall be Your sole responsibility.

N. Charges for Other Levels of Care.

1. Temporary Occupancy of the Nursing Care Center or Personal Care Facility. Upon temporarily occupying the nursing care center or personal care home, You shall continue to pay the Monthly Fee for Your Residence and You shall pay the published current per diem fee for the nursing care center or personal care home, plus the cost of any ancillary services.

2. Permanent Occupancy of the Nursing Care Center or Personal Care Facility. Should You permanently transfer to the nursing care center or personal care home, this Agreement will terminate and You shall pay the published current per diem fee for the nursing care center or personal care home, plus the cost of any ancillary services.

III. DATE OF RIGHT OF OCCUPANCY

A. Date of Right of Occupancy. You and Buffalo Valley agree that You shall have right of occupancy on the date indicated on Schedule A, attached ("Date of Right of Occupancy"), such date not to exceed ninety (90) days from the date of execution of this Agreement. Your full Entrance Fee must be paid on or before the Date of Right of Occupancy. You will be billed for Your first month's Monthly Fee on a pro-rated basis.

IV. ADMISSION REQUIREMENTS AND PROCEDURES

A. Age. Residents shall be fifty-five (55) years of age or older, unless an exception is granted by Buffalo Valley, in its sole discretion.

B. Application Forms. You will complete an Application for Admission and a Confidential Financial Statement.

C. Health Status; Medical Examination. You represent that You are capable of living safely without the assistance of another person in a Residence. Within six (6) months prior to the Date of Right of Occupancy, You must be examined by a qualified physician of Your own choosing who will be responsible for completing a Buffalo Valley Health History and Information form. If the pre-occupancy medical examination reveals that Your health is not consistent with the conditions of occupancy in the Residence, Buffalo Valley may terminate this Agreement.

D. Confidential Financial Statement. You represent that You have sufficient assets and income to qualify for admission to independent living in the Residence. If a review of your Confidential Financial Statement and supporting documentation reveals that Your assets and income are not sufficient for occupancy in the Residence in accordance with the policy of Diakon Lutheran Social Ministries, Buffalo Valley may terminate this Agreement prior to Your occupancy.

E. Power of Attorney; Advance Directives. Prior to the Date of Right of Occupancy, You shall execute a durable power of attorney and shall provide a copy to Buffalo Valley. If You have executed, or in the future execute, an advance directive, You shall provide a copy to Buffalo Valley.

F. Medical Insurance. You shall maintain Medicare Part A and Part B coverage and one supplemental health insurance policy or equivalent insurance coverage acceptable to Buffalo Valley and shall furnish Buffalo Valley with evidence of such coverage.

G. Other Insurance. In order to ensure protection for You and Buffalo Valley, You shall maintain the following types of insurance coverage:

1. personal property insurance for the Residence insuring Your personal property in or about the Residence;

2. liability insurance coverage; and

3. auto insurance coverage in an amount or amounts not less than as required by Pennsylvania law (if applicable).

H. Requests for Updated Information. Buffalo Valley reserves the right to require You, upon request by Buffalo Valley, to submit periodic updates of medical, financial, insurance or other information. The cost to obtain updated information, including medical examinations, shall be Your sole responsibility.

I. Dependent Adults as Occupants. If You, as either a parent or guardian, intend to have a dependent adult (either under or over the age of 55) reside with You as a co-resident, You shall demonstrate to the satisfaction of Buffalo Valley, prior to the Date of Right of Occupancy, that alternative arrangements have been made for the care of such dependent adult in the event that You are no longer able to occupy the Residence and/or care for the dependent adult for any reason. Generally, Buffalo Valley will require You to demonstrate that a court of competent jurisdiction has adjudicated such dependent adult to be an incapacitated person and has appointed an agency or other individual or entity acceptable to Buffalo Valley as guardian of the dependent adult's person and estate.

V. TERMS OF RESIDENCY

A. Use of Residence. You shall occupy and use the Residence only as a residence.

B. Covenants of Residents. You shall:

1. comply with all rules, regulations, policies and procedures set forth in the Resident Handbook, which are subject to change from time to time in the sole discretion of Buffalo Valley;

2. obey all applicable federal, state and local laws and regulations when using the Residence;

3. not perform any activities in or around the Residence which could harm any other person or cause damage to the Residence or other Buffalo Valley property;

4. notify Buffalo Valley promptly if there is any condition in or about the Residence that could harm residents or others or damage the Residence;

5. notify Buffalo Valley of any accident, fire or damage occurring in, about or around the Residence within twenty-four (24) hours of its occurrence; and

6. give prompt written notice to Buffalo Valley of any repairs needed to the Residence.

C. Pets. The ownership of pets is governed by Buffalo Valley's pet guidelines contained in the Resident Handbook.

D. Guests. The Residence shall only be occupied by You. You shall be permitted to have guests stay at the Residence in accordance with Buffalo Valley's Guest Policy as reflected in the Resident Handbook. The Guest Policy of Buffalo Valley is subject to change from time to time in the sole discretion of Buffalo Valley.

E. Marriage and/or Additional Occupants.

1. Non-resident. In the event that, after the Date of Right of Occupancy, You desire to marry or have a non-resident of Buffalo Valley share Your Residence as a co-resident, the proposed additional occupant shall be required to file an application for admission and meet all age, medical and financial requirements for admission applicable to residents of Buffalo Valley. If the proposed additional occupant is approved for admission, on or before the date he or she begins occupying the Residence, he or she shall pay an additional occupancy fee equal to the then-current published second person fee ("Second Person Entrance Fee"). The Second Person Entrance Fee shall be amortized immediately and earned in full by Buffalo Valley, and no refund of the Second Person Entrance Fee shall be made. Upon admission of a co-resident to the Residence, You will pay Monthly Fees for double occupancy. Admittance of an additional occupant shall be at the sole discretion of Buffalo Valley.

2. Resident. In the event that You desire to marry another resident or have another resident ("Other Resident") reside in the Residence, You shall select and designate in writing, at least sixty (60) days in advance of the proposed move, which one of the two Residences You and Other Resident wish to occupy. The Residence that will be vacated must be surrendered to Buffalo Valley on or before the date of the proposed move to the designated Residence.

a. Termination of Occupancy of Residence. In the event that You desire to occupy the Residence of Other Resident, this Agreement shall be terminated and You shall be required to execute an amendment to Other Resident's Residence and Services Agreement to bind You to the terms and conditions of the Residence and Services Agreement of Other Resident. Your refund under Section VI shall be payable to You within thirty (30) days of Buffalo Valley's receipt of a replacement entrance fee for the Residence.

b. Addition of Other Resident to Residence. In the event that Other Resident terminates his or her Residence and Services Agreement with Buffalo Valley and moves into Residence, this Agreement shall be amended and executed by Other Resident to bind Other Resident to the terms and conditions of this Agreement.

F. Request by You for Change in Residence. You may request a change in residence at any time. Buffalo Valley will carefully consider factors such as Your health, finances, availability of requested residence, waiting lists, etc. Lateral moves are not allowed.

1. Move to a Smaller Residence. Should You be approved to move to a smaller residence, You shall pay the Monthly Fee associated with the smaller residence. No refunds will be made at the time of Your move for any difference between the Entrance Fee for Your original Residence and the current entrance fee for the smaller residence.

2. Move to a Larger Residence. Should You be approved to move to a larger residence, You shall pay the Monthly Fee associated with the larger residence and shall pay the difference between the Entrance Fee You paid for Your original Residence and the current entrance fee for the larger residence. The additional payment shall be amortized over the remaining amortization term of this Agreement, if any term remains. If no term remains, the additional payment shall be amortized immediately and earned in full by Buffalo Valley. Upon termination of this Agreement, the refund of the additional payment shall be governed by the Entrance Fee Plan chosen in Schedule A.

G. Inspection of Residence. Buffalo Valley shall have the right to periodically inspect Your Residence upon one (1) day's notice to You for health and safety hazards, adequate cleanliness and to determine repair and/or replacement needs. Notwithstanding the foregoing, no notice shall be required in emergency situations.

H. Housekeeping/Housecleaning Responsibilities. You shall maintain the Residence in a clean, sanitary and orderly condition. If You do not maintain the Residence in a reasonable manner, Buffalo Valley, after notice to You, shall have the right to maintain the Residence for a fee at Your sole expense.

I. Responsibility for Property Damage to Buffalo Valley.

1. Condition of Residence Upon Termination. Upon termination of this Agreement, You shall leave the Residence in as good condition as on the Date of Right of Occupancy, reasonable wear and tear excepted. The cost of any repairs due to any damages to the Residence shall be Your sole responsibility.

2. Property Damage Caused by You. Any loss or damage to real or personal property of Buffalo Valley You cause shall be paid for by You. In the event of Your death, Your estate shall be liable for any loss or damage to Buffalo Valley's property You cause.

J. Damage to Residence. If the Residence is damaged by fire or other casualty covered by Buffalo Valley's insurance, to the extent that the Residence can be restored to its prior condition within ninety (90) days, Buffalo Valley shall repair the damage and restore the Residence to its prior condition at the sole cost and expense of Buffalo Valley. If You do not remain in possession of the Residence while Buffalo Valley makes repairs, You will not be required to pay any Monthly Fees.

K. Responsibility for Loss or Damage of Personal Property. Buffalo Valley shall not be responsible for the loss or damage due to fire, theft, or other causes of any property belonging to You or Your estate or Your guests, including, but not limited to motor vehicles, unless care and control of such personal property is specifically accepted in writing by Buffalo Valley, and then only for willful or gross negligence in failing to safeguard and account for it. You shall have the sole responsibility to provide such insurance as You deem necessary to protect against any such losses. No personal property insurance shall be provided to You by Buffalo Valley and You shall bear the risk of any damage or loss of personal property held in storage by Buffalo Valley.

L. Release Regarding Conduct of Other Residents. Buffalo Valley assumes no liability for Your conduct or the conduct of other residents or guests of Buffalo Valley, and You hereby release and discharge Buffalo Valley from any claims for personal injury to You or damages to Your personal property caused by the conduct of other residents or guests.

M. Governmental Power of Eminent Domain. "Eminent domain" is the legal name for the right of a government such as the state or county or city to take private property for public use. The government must pay fair compensation to anyone who has any right in the property that is taken by the government. If all or any part of the Residence is taken by eminent domain, this Agreement and Your right of occupancy shall automatically terminate and You shall be entitled to a refund under the terms of Section VI.

N. Change in Residence at Option of Buffalo Valley. If Buffalo Valley reasonably determines that Your Residence needs to be vacated to permit repairs or renovation thereto, or that the permanent transfer of such space to either a different use or a different configuration is necessary, or any other circumstance reasonably determined by Buffalo Valley justifies such transfer, Buffalo Valley may move You to a new residence of a similar size provided that Buffalo Valley (i) advises You prior to undertaking any such move, (ii) gives You reasonable notice of and time to prepare for such move, (iii) incurs all costs of such move, (iv) arranges for the prompt and convenient move of Your personal furnishings, and (v) either provides in such new residence optional custom improvements comparable to those provided in Your original Residence or, at Your option, reimburses You for the value of such improvements.

VI. TERMINATION AND REFUND PROVISIONS

A. Termination By You.

1. Rescission Period. You may terminate this Agreement within seven (7) days of its execution by delivering written notice of termination to Buffalo Valley. Upon such rescission, all monies paid by You to Buffalo Valley, except for the Processing Fee(s), shall be refunded in full. (See Schedule C for "Notice of Right to Rescind" form).

2. Prior to Occupancy. You may terminate this Agreement after the lapse of the seven (7) day rescission period but prior to Your occupancy of the Residence by delivering written notice of termination to Buffalo Valley. Upon such termination, Buffalo Valley shall have the right to resell Your right of occupancy to the Residence to another purchaser, and Buffalo Valley shall retain and You shall forfeit Your first installment payment of ten percent (10%) of the Entrance Fee. Notwithstanding the foregoing, if such termination is due to Your death or the death of Your spouse, or because a change in Your physical or mental condition makes You ineligible for admission to Buffalo Valley, Buffalo Valley shall fully refund all monies paid by You, except for any Processing Fee(s) and the costs incurred by Buffalo Valley for any Custom Improvements chosen by You on Schedule D, attached.

3. After Occupancy. You may terminate this Agreement at any time after occupancy upon thirty (30) days' written notice to Buffalo Valley. Refunds shall be governed by Section VI of this Agreement.

B. Termination by Buffalo Valley for Cause. Buffalo Valley shall have the right to terminate this Agreement for cause upon the occurrence of any of the following events upon thirty (30) days' written notice to You:

1. Your failure to comply with all rules, regulations, policies and procedures set forth in the Resident Handbook, a copy of which has been provided to You contemporaneously with the signing of this Agreement;

2. Your failure to pay the Entrance Fee and cost of Custom Improvements, if any, in accordance with Paragraph II.D of this Agreement;

3. Your failure to pay the Monthly Fee, upon thirty (30) days' notice by Buffalo Valley;

4. Your failure to comply with any material provisions of this Agreement;

5. Your continued presence in the Residence is deemed detrimental to the health and safety of You or other residents of Buffalo Valley. This decision shall be determined by the Buffalo Valley Appropriateness of Care Committee, in consultation with You, Your physician, Your legal representative(s) and any other person designated by You;

6. You become incapacitated, either physically or mentally, and it is determined that a permanent transfer to another level of care, or another facility if Buffalo Valley is unable to accommodate Your needs, is in Your best interests. This decision shall be determined by the Buffalo Valley Appropriateness of Care Committee, in consultation with You, Your physician, Your legal representative(s) and any other person designated by You;

7. The results of a medical examination required pursuant to Paragraph IV.C of this Agreement indicate that You are unable to meet the conditions for occupancy of Your Residence. This decision shall be determined by the Buffalo Valley Appropriateness of Care

Committee, in consultation with You, Your physician, Your legal representative(s) and any other person designated by You; or

8. Buffalo Valley ceases to offer independent living.

C. Termination Upon Death. In the event of Your death during Your occupancy of the Residence, this Agreement shall terminate subject to Paragraph VI.E.3.

D. Termination Upon Failure to Meet Residency Requirements. In the event that two (2) residents occupy Your Residence and one of such residents is under the age of 55 or is a dependent adult, the termination of this Agreement by the resident who is over the age of 55 or who is the non-dependent adult shall operate as an automatic termination of the other resident's right to occupy the Residence, unless an exception is granted by Buffalo Valley, in its sole discretion.

E. Effect of Termination; Refunds.

1. Relinquishment of Occupancy; Surrender of Residence. In the event of a termination of this Agreement due to Your death, Your personal representative shall be responsible to remove all of Your personal property from the Residence within thirty (30) days of Your death and return the keys to the Residence to Buffalo Valley. If this Agreement is terminated for any other reason other than Your death, You shall be responsible to remove Your personal property from the Residence on or before the date by which You are required to vacate the Residence. You shall be responsible for the Monthly Fee until all possessions have been removed from the Residence, the Residence has been surrendered and keys to the Residence have been returned to Buffalo Valley.

2. If You or Your representative are unable to remove Your personal possessions from the Residence, Buffalo Valley shall have the right to remove and store such items at the sole expense of You or Your estate. Buffalo Valley shall not be responsible for Your personal possessions left in storage after sixty (60) days.

3. The termination of a right of occupancy of one person in a double occupancy unit for any reason shall not operate as a termination of the right of occupancy of the other resident of the unit, unless the other resident is under the age of 55 or is a dependent adult.

4. Your obligation to pay the Monthly Fee shall continue until Your Residence has been surrendered by You or, in the case of death, by Your estate or family.

F. General Payment.

1. Your applicable refund shall be payable to You within thirty (30) days after You no longer reside at Buffalo Valley and Buffalo Valley receives a replacement entrance fee for the Residence. Every effort will be made by Buffalo Valley to resell the Residence as soon as possible after termination but all marketing, sales, and admission decisions regarding such resale shall be within the discretion of Buffalo Valley. If You have permanently moved to the

Nursing Care Center or Personal care Facility, Buffalo Valley will hold Your refund from independent living and apply it on a monthly basis to Your charges for the higher level of care.

2. Death of You or Your Spouse within ninety days of Occupancy. In the event You or Your spouse die within ninety (90) days of the Date of Occupancy, and this Agreement is terminated, Your applicable refund shall be payable to You within thirty (30) days of the surrender of the Residence to Buffalo Valley, rather than upon Buffalo Valley's receipt of a replacement entrance fee for the Residence. The Entrance Fee and the cost of Refund Eligible Custom Improvements will be amortized monthly according to the Entrance Fee Plan You have chosen until the Residence has been surrendered to Buffalo Valley.

3. Any amounts for necessary repairs, maintenance, waiver of any Monthly Fees or any other Benevolent Care provided to You during Your occupancy of the Residence shall be subtracted from the refund due to You under this Agreement.

4. In the event that You occupy a double occupancy unit with another resident and You vacate the Residence for any reason, You shall not be entitled to any refund amount until (i) the Agreement is terminated by the remaining resident for any reason and (ii) Buffalo Valley receives a replacement entrance fee for the Residence. When two residents are jointly occupying a double occupancy Residence, the disposition of any refund due upon termination shall be made as follows:

a. To the Trustee of the joint trust under a trust agreement dated __________, executed by both residents as settlors, and ___________________ , as trustee, a copy of which trust agreement is on file with Buffalo Valley. This option shall be valid only if the trust agreement described in the preceding sentence designates at least two (2) primary or alternate trustees other than the settlors.

b. In the absence of a joint trust agreement as described above:

i. if both residents are living at the time of termination, one-half (50%) of the refund shall be paid to each resident; or

ii. if one resident is deceased, all (100%) of the refund shall be paid to the surviving resident; or

iii. if both residents are deceased, all (100%) of the refund shall be paid to the estate of the last resident to die.

G. No Further Obligation. After termination of this Agreement and surrender of Residence by You, all obligations of Buffalo Valley and You under this Agreement, other than obligations relating to the removal of personal property, financial assistance and refunds, shall cease.

VII. MISCELLANEOUS.

A. Benevolent Care. Buffalo Valley, through its parent corporation, Diakon Lutheran Social Ministries, maintains a Benevolent Care Policy ("Benevolent Care") for residents who, through no fault of their own, become unable to pay the Monthly Fee due under this Agreement. In order to be considered for Benevolent Care, Your ability to meet financial obligations by transferring or depleting assets, other than in good faith and for value to meet ordinary and customary living expenses must not have been impaired, and You must not have materially misrepresented financial or other relevant information during the application and/or admission process or any other required disclosures. Further, You must provide adequate and timely information to Buffalo Valley to justify consideration for Benevolent Care and must apply for and utilize all governmental resources, programs, etc., which may be available to assist You in meeting housing and other living expenses. Residents who are or who become beneficiaries of Diakon's Benevolent Care policy may be relocated to a smaller unit at Buffalo Valley.

B. Right of Self-Organization. You and the other residents of Buffalo Valley shall have the right of self-organization.

C. Tobacco-Free Policy. Buffalo Valley Retirement Community is a tobacco-free community. Smoking and use of any other tobacco products are not permitted anywhere on Buffalo Valley Retirement Community.

D. Weapons-Free Policy. It is the policy of Diakon Lutheran Social Ministries to safeguard our staff, our residents, our clients and the general public against violence. It is, therefore, prohibited for staff, residents or visitors to bring or possess firearms (regardless of any authorized permit), weapons or dangerous instruments onto any of our premises.

E. Average Annual Cost of Providing Care. The average annual cost of providing care to You during the most recent year for which date is available is $____________ Retirement Community.

F. Parking. Parking is available in the driveway and garage (if applicable) of the Resident on the Buffalo Valley campus. You shall not be permitted to park any truck (other than a pickup truck), trailer, RV, or mobile home at the Residence or in other parking areas of Buffalo Valley. Limited RV parking may be available on the campus, as outlined in the Resident Handbook.

G. Fencing and/or other structural additions. You may not build or construct any temporary or permanent fences, storage buildings, sheds, dog houses, dog runs, or other structures on the property on which the Resident is situated.

H. Religious Affiliation. Buffalo Valley is affiliated with the Evangelical Lutheran Church in America ("ELCA") through Diakon Lutheran Social Ministries. The ELCA and/or its synods are not responsible for the financial or contractual obligations of Buffalo Valley or Diakon Lutheran Social Ministries under this Agreement.

I. Disclosure Statement. Buffalo Valley shall make available to You its disclosure statement, required under Pennsylvania law to be filed with the Department of Insurance annually.

J. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, notwithstanding any conflict of laws provisions to the contrary.

K. Subordination. You agree that this Agreement is subject and subordinate at all times to any mortgage which now or in the future becomes a lien upon the property that includes the Residence.

L. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of the Agreement shall be valid and enforceable to the fullest extent permitted by law.

M. Assignment. You may not assign this Agreement.

N. Waiver. The waiver by Buffalo Valley of a breach of any provision of this Agreement by You shall not operate or be construed as a waiver of any subsequent breach by You.

O. Notices. Any notice required or permitted to be given under this Agreement shall be deemed properly given if in writing and if mailed by regular mail to Your Residence or to the principal office of Buffalo Valley, in the case of notice to Buffalo Valley. The effective date of any such notice shall be the date of mailing thereof or the date of personal delivery, whichever is applicable. The address to which notice shall be sent may be changed by a written notice given pursuant to this Paragraph.

P. Non-Discrimination. Buffalo Valley shall not discriminate against You on the basis of Your race, color, religious creed, disability, marital status, ancestry, national origin, sexual orientation, sex, or any other class protected by law.

Q. Entire Agreement. This Agreement contains the entire agreement between the parties relating to the subject matter hereof. This Agreement supersedes and replaces in its entirety any existing agreement between You and Buffalo Valley regarding Your right of occupancy of the Residence, and may not be waived, changed, modified, extended or discharged except in writing executed by Buffalo Valley and by the party against whom enforcement of any such waiver, change, modification, extension or discharge is sought.

R. Change in Law. Notwithstanding Subparagraph M above, Buffalo Valley reserves the right to amend this Agreement upon thirty (30) days' written notice to You if any change in federal, state and local laws, regulations, policies and/or interpretation of the same shall impair the continuing validity and/or effectiveness of any material provisions of this Agreement.

S. Acknowledgment of Receipt of Disclosure Statement, Resident Handbook and Notice of Privacy Practices. You acknowledge receipt of Buffalo Valley's most recent annual disclosure statement, Resident Handbook and HIPAA Notice of Privacy Practices.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

BUFFALO VALLEY	RESIDENT
By:__________________________	By:________________________________
Name (printed)____________________	Name (printed)__________________________
	RESIDENT:
	By:________________________________
	Name (printed)__________________________

RESIDENCE AND SERVICES AGREEMENT

SCHEDULE A

Resident Name(s)____________________________________ Date: ___________________

Type of Residence____________________________________

Residence Number____________________________________

Date of Right of Occupancy____________________________

ENTRANCE FEE

Entrance Fee Plan Chose (circle): Classic Classic Plus Estate Preservation	
Single Person Entrance Fee OR	$_________________________
Double Person Entrance Fee	$_________________________
Cost of Custom Improvements	$_________________________
Total Fee	$_________________________
Less Ten Percent Installment due upon signing Agreement	$___________(____________)
Balance of Total Fee (due on or before the Date of Right of Occupancy	$_________________________

MONTHLY FEE

Monthly Fee:		
	Single Person OR	$_________________________
	Double Person	$_________________________

BUFFALO VALLEY RESIDENT

By:______________________________ ___________________________________

____

SCHEDULE B - Items and Services Included in the Monthly Fee

The following items and services are included in Your Monthly Fee:

1. The provision of Your Residence with a refrigerator, range, microwave, dishwasher, garbage disposal, air conditioning, emergency call system, wall-to-wall carpeting, washer and dryer, and other features and fixtures as described in Buffalo Valley's current literature.

2. Garbage and trash collection at a location near the Residence;

3. Maintenance of exterior building and grounds (including lawn care and snow removal) and interior public areas and building costs and custodial services for common areas (not including the inside of Your Residence);

4. Pest control on the grounds and in Your Residence;

5. Annual exterior window washing for Your Residence;

6. Maintenance of appliances provided by Buffalo Valley and maintenance, repairs and replacements of Buffalo Valley's property and equipment;

7. Television jacks provided in Your Residence;

8. Access to social, recreational and spiritual programs;

9. A 24-hour emergency call system;

10. Casualty and liability insurance for Buffalo Valley's campus and the exterior of Your Residence;

11. Such other services and activities as may from time to time be provided by Buffalo Valley.

The following items <u>are not included</u> in Your Monthly Fee:

1. Utilities and services other than garbage collection (e.g. telephone, water, sewerage, cable, electricity, etc.) are paid by You directly to the company providing such services. Such costs are not included in your Monthly Fee.

12. The cost for repairs, maintenance and replacement of Your property and furnishings shall be Your sole responsibility.

SCHEDULE C - NOTICE OF RIGHT TO RESCIND

____
(Date rescission period begins)

You may rescind and terminate your Residence and Services Agreement, without penalty or forfeiture, within seven (7) days of the above date. You are not required to move into Buffalo Valley before the expiration of this 7-day period. No other agreement or statement you sign shall constitute a waiver of your right to rescind your Residence and Services Agreement within the seven (7) day period.

To rescind your Residence and Services Agreement, mail or deliver a signed and dated copy of this notice, or any other written notice, letter or telegram, stating your desire to rescind to: Executive Director, Buffalo Valley Retirement Community, 189 E. Tressler Boulevard, Lewisburg, PA 17837, not later than midnight of ______________________________
(last date of rescission period)

Pursuant to this notice, I hereby cancel my Residence and Services Agreement.

____
DATE

____
PROSPECTIVE RESIDENT'S SIGNATURE

____
PROSPECTIVE RESIDENT'S SIGNATURE

SCHEDULE D – CUSTOM IMPROVEMENTS

You have chosen to add the following custom improvements, at additional cost, to Your Residence. The cost of any Custom Improvements which increase the amount of conditioned living space of Your Residence (“Refund Eligible Custom Improvements”) shall be included in the amount subject to a refund under the terms of this Agreement.

Option	Cost
______________________________	____________________
______________________________	____________________
______________________________	____________________
______________________________	____________________
______________________________	____________________
______________________________	____________________

BUFFALO VALLEY

By:____________________________

Name (printed)______________________

RESIDENT

By:__________________________________

Name (printed)___________________________

RESIDENT:

By:__________________________________

Name (printed)___________________________

Exhibit C

Entrance Fees and Monthly Fees

Plans & Pricing

Different Options for Different Needs

We know you want options. That's why we offer several different entrance fee plans – so you can choose the one that's perfect for you.

Classic Plan

This plan offers the lowest entrance fee. With this option, the amount of your eligible refund declines each month over the first 49 months of occupancy to a 0% refund.

Classic Plan Plus

This plan offers a mid-range entrance fee. The amount of your eligible refund declines over the first 46 months of occupancy to a 50% refund of the entrance fee paid.

Estate Preservation Plan

This plan offers you the greatest return of your entrance fee. The amount of your eligible refund declines over the first 15 months of occupancy to a 70% refund of the entrance fee paid.

How It Works Financially

At Buffalo Valley Lutheran Village, you pay an entrance fee. Depending on which of our plans you choose, the entrance fee is like an investment because you, your estate and/or your family may gain back a percentage of this fee should you leave for any reason.

To enjoy all the benefits our lifestyle has to offer, you also pay an affordable monthly fee, which varies depending on the home you choose. This fee covers daily living expenses and services such as lawn care, home maintenance and the wide array of social activities we offer.

Your Monthly Service Fee Includes:

- Interior and exterior maintenance
- Lawn care and landscaping
- Snow removal on sidewalks and parking areas
- Annual preventive maintenance
- Entertainment, spiritual enrichment and a variety of programs and events
- Regularly scheduled transportation for group outings
- Building and grounds maintenance
- 24-hour call system
- Priority access to care in Personal Care and Health Care Center
- Weekly trash service
- Pest control
- Well-lighted grounds and parking areas

BUFFALO VALLEY LUTHERAN VILLAGE
A DIAKON SENIOR LIVING COMMUNITY

Effective 1/1/2023

Approx. Sq. Ft.	Unit Style	Classic Plan 0% Refund Entrance Fee Starting at…	Classic Plan Plus 50% Refund Entrance Fee Starting at…	Estate Preservation 70% Refund Entrance Fee Starting at…	Monthly Fee
	Two-Bedroom Units				
1080	Cunningham	$136,500	$204,750	$232,050	$1,158
1280	Cunningham w/ Sunroom	$173,250	$259,875	$294,525	$1,331
	Two-Bedroom, Two-Bath Units				
1212	Windsor w/ 1-Car Garage	$243,800	$365,700	$414,460	$1,336
1212	Windsor w/ 2-Car Garage	$259,700	$389,550	$441,490	$1,336
1365	Windsor II w/ 1-Car Garage	$294,525	$441,787	$500,692	$1,492
1365	Windsor II w/ 2-Car Garage	$314,820	$472,230	$535,194	$1,492
1360	Ashford w/ 1-Car Garage	$306,020	$459,030	$520,234	$1,492
1360	Ashford w/ 2-Car Garage	$323,675	$485,512	$550,247	$1,492
1469	Manchester w/ 1-Car Garage	$329,560	$494,340	$560,252	$1,611
1469	Manchester w/ 2-Car Garage	$347,215	$520,822	$590,265	$1,611
	Three-Bedroom, Two-Bath Units				
1720	Belmont w/ 2-car garage	$341,330	$511,995	$580,261	$1,713
1788	Hastings w/ 2-car garage	$370,755	$556,132	$630,283	$1,859
1928	Winchester w/ 2-car garage	$411,950	$617,925	$700,315	$1,896

Second-person entrance fee: $10,000

NOTE: Prices will vary based on location, interior finishes, customizations and selected options. Pricing applies to current inventory. With the exception of certain Cunningham-style homes, all homes include sunrooms.

BUFFALO VALLEY LUTHERAN VILLAGE
A DIAKON SENIOR LIVING COMMUNITY

570.523.4285
www.BuffaloValleySeniorLiving.org
189 E. Tressler Boulevard | Lewisburg, PA 17837

Ideal Blend of Independence, Security & Affordability

At Buffalo Valley Lutheran Village, our personal care lifestyle is designed to help you maximize quality of life and live independently for as long as possible. Without the hassles of meal preparation and housekeeping, you are free to enjoy a full schedule of fun, engaging activities.

Personal Care Services

- Private or companion suites with private bathrooms
- Kitchenette with sink, cupboards, microwave and refrigerator
- Support with tasks of daily living
- 24-hour call system
- Three delicious, restaurant style meals per day, including snacks
- Entertainment, spiritual enrichment and a variety of programs and events
- Regularly scheduled transportation for group outings
- Housekeeping services
- Flat linen and towel service
- Community amenities
- Access to on-site health-care providers
- Access to on-site outpatient rehabilitation
- Wi-Fi accessible throughout the building
- Individually controlled heating and air-conditioning
- Window coverings

Security & Maintenance

- 24-hour staff
- Well-lighted grounds and parking areas
- Security alarms throughout the building
- Full maintenance of your residence

Daily/Monthly Rates

Effective 1/1/2023

Studio – single.. $205/day ($6,150/month*)
Alcove – single.. $275/day ($8,250/month*)
Alcove – double occupancy.................... $189/day per person
($5,670/month* per person)
Respite.. $188/day
Bridge to Home.. $165/day

** Monthly rates will vary depending on how many days are in the month.*

Enhanced Care *(in addition to the daily rate)*

As needs change, we offer additional assistance to help our residents remain as independent as possible, for as long as possible. Care levels are based on a multipoint assessment.

Level 1 .... $20/day
Level 2 .... $33/day
Level 3 .... $61/day
Level 4 .... $100/day

Additional Charges

- A one-time, refundable $1,000 security deposit
- A one-time, non-refundable $1,000 community fee

Please note that a $500 deposit is required to hold your desired unit, but will be credited to your first month's fee.

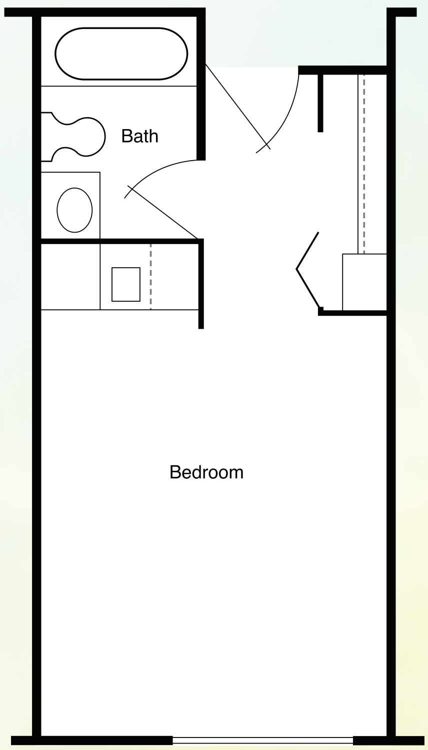
BUFFALO VALLEY
LUTHERAN VILLAGE
A DIAKON SENIOR LIVING COMMUNITY

Our Personal Care Suites

- Private or companion rooms, with private baths
- Comfortable, homelike setting
- Emergency call system
- Individually controlled heat and air conditioning
- Wall-to-wall carpeting
- Kitchenette with sink, microwave and refrigerator

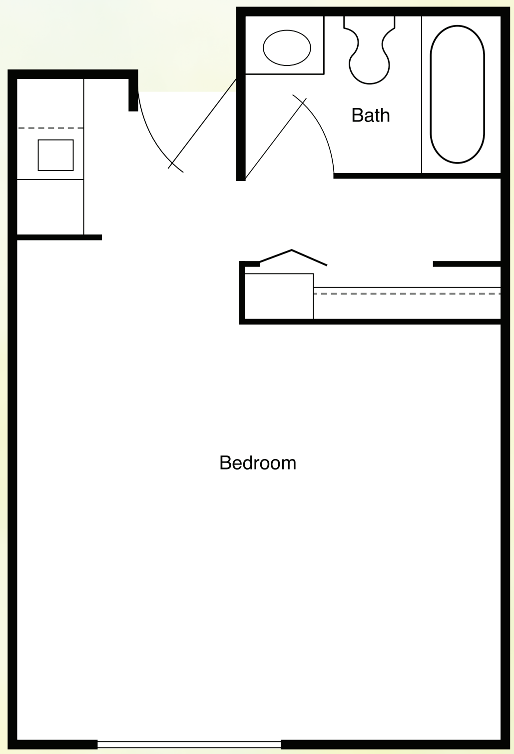
Studio

Approx. 300 square feet



Alcove

Approx. 360 square feet



BUFFALO VALLEY LUTHERAN VILLAGE
A DIAKON SENIOR LIVING COMMUNITY

570.524.4451 | 305 E. Tressler Boulevard | Lewisburg, PA 17837
www.BuffaloValleySeniorLiving.org

Exhibit D

Schedule of Monthly Fee Changes

Diakon
5 Year Average Rate Increases

	1/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023
Buffalo Valley	3.0%	3.0%	3.0%	5.0%	7.5%
Cumberland Crossings	3.0%	3.0%	3.0%	5.0%	7.5%
Luther Crest	3.0%	3.0%	3.0%	5.0%	7.5%
Lutheran Home at Topton	3.5%	3.5%	3.0%	5.0%	7.5%

Exhibit E

Ancillary Services for an Additional Fee

Diakon Lutheran Social Ministries
Independent Living Services
As of Janaury 1, 2023

The grid below indicates the services included in the monthly fee per the terms of the current residency and services agreements. Please note that prior agreements executed for existing residents may differ from the listing indicated below, therefore please refer to the terms noted in to your residency agreement. Depending upon your location other ancillary services may be available. An inclusive list for your campus is avaialble in the business office.

	Buffalo Valley Cottages	**Cumberland Crossings Cottages**	**Lutheran Home at Topton Luther Haven**	**Lutheran Home at Topton Tower Court**	**Luther Crest Apartments**	**Luther Crest Southgate**
Activities program	included	included	included	included	included	included
Routine maintenance and groundskeeping	included	included	included	included	included	included
Pest control	included	included	included	included	included	included
Trash collection	included	included	included	included	included	included
Water & sewer	additional fee	included	included	included	included	included
Housekeeping	annual cleaning	annual cleaning	annual cleaning	annual cleaning	bi-weekly light cleaning	bi-weekly light cleaning
Personal laundry	additional fee	additional fee	additional fee	additional fee	additional fee	additional fee
Emergency call system	included	included	N/A	included	included	included
Meals	additional fee	20 meals per month	additional fee	additional fee	one meal per day	$80 / month meal credit
Cable TV	additional fee	additional fee	additional fee	additional fee	additional fee	additional fee
Telephone	additional fee	additional fee	additional fee	additional fee	additional fee	additional fee
Electric	additional fee	additional fee	included	included	included	included
Transportation	scheduled group transport included	scheduled group transport included	scheduled group transport included	scheduled group transport included	scheduled group transport included	scheduled group transport included
Beauty and barber	additional fee	additional fee	additional fee	additional fee	additional fee	additional fee
Medical equipment and supplies	additional fee	additional fee	additional fee	additional fee	additional fee	additional fee
Skilled nursing	additional fee	additional fee	additional fee	additional fee	additional fee	additional fee
Personal care services	additional fee	additional fee	additional fee	additional fee	additional fee	additional fee

Exhibit F

Audited Financial Statements

Diakon and Controlled Affiliates

Consolidated Financial Statements
and Supplementary Information

December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of
Diakon and Controlled Affiliates

Opinion

We have audited the consolidated financial statements of Diakon and Controlled Affiliates (the Corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2022 and 2021, and the results of its operations, 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 (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 45 to 50 is presented for purposes of additional analyses of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Also, the minimum liquid reserve calculation found on page 51 is presented for purposes of additional analysis 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 auditing standards generally accepted in the United States of America. 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 27, 2023

Diakon and Controlled Affiliates

Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 9,261,958	$ 10,138,935
Investments	-	2,000,000
Assets limited as to use	11,065,998	11,974,509
Accounts receivable, net:		
Patients and residents	7,069,824	7,329,091
Statewide adoption and permanency network	12,126,420	5,057,853
Other client services	4,354,057	4,206,633
Estimated third-party payor settlements	439,044	687,863
Prepaid expenses and other assets	3,214,714	3,117,664
Total current assets	47,532,015	44,512,548
Investments	139,481,360	163,369,018
Assets limited as to use, less current portion:		
Statutory minimum liquid reserves	5,523,908	7,062,597
Other	48,161,348	33,852,126
Investment in joint venture	1,417,665	1,329,282
Land, buildings and equipment, net	137,005,902	136,412,692
Assets held for sale	-	11,226,771
Finance lease right-of-use assets, net	715,908	837,920
Operating lease right-of-use assets	1,894,303	1,885,325
Other assets:		
Receivables from charitable gift annuities	270,085	464,733
Funds held in trust by others and beneficial interest in trust	34,516,826	43,394,004
Swap agreement	70,410	-
Other assets	850,119	657,488
Total assets	$ 417,439,849	$ 445,004,504

See notes to consolidated financial statements

Diakon and Controlled Affiliates

Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
Liabilities and Net Assets		
Current liabilities:		
Lines of credit	$ -	$ 451,747
Accounts payable and accrued expenses	25,028,276	22,185,059
Provider relief, paycheck protection program, and other funds	2,754,558	10,715,987
Deposits, patients and residents	404,918	451,519
Estimated third-party payor settlements	498,247	1,960,626
Current finance lease liabilities	231,939	260,871
Current operating lease liabilities	808,404	720,210
Current maturities of long-term debt	4,611,812	6,741,392
Total current liabilities	34,338,154	43,487,411
Pension liability	24,796,630	36,784,372
Swap agreement	-	696,575
Deferred revenue, entrance fee agreements	57,255,785	53,070,331
Refundable entrance fee liability	17,395,567	18,148,436
Liabilities held for sale	-	7,235,584
Other long-term liabilities	1,345,801	1,355,567
Long-term finance lease liabilities	459,010	538,726
Long-term operating lease liabilities	1,168,819	1,267,253
Long-term debt, less current maturities and debt issuance costs	139,230,106	141,069,460
Total liabilities	275,989,872	303,653,715
Net assets:		
Without donor restrictions	80,695,238	66,131,538
With donor restrictions	60,754,739	75,219,251
Total net assets	141,449,977	141,350,789
Total liabilities and net assets	$ 417,439,849	$ 445,004,504

See notes to consolidated financial statements

Diakon and Controlled Affiliates

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues, gains and other support:		
Patient and resident service revenue, net	$ 71,972,353	$ 115,984,573
Patient and resident service revenue, nursing home assessment	1,940,000	3,517,123
Amortization of entrance fees	8,178,596	8,670,455
Contract revenue	27,572,650	25,837,669
Other fees and services	12,352,535	10,423,161
Statewide Adoption and Permanency Network revenue	73,899,267	72,303,384
Investment income, net of expenses	3,851,631	7,462,464
Income from trusts	1,733,526	1,603,024
Contributions and bequests	1,402,387	546,582
Net assets released from restrictions, operations	1,491,964	1,845,198
Gain on disposal of assets	20,377,943	43,978,762
Gain on insurance proceeds	18,188	5,850
Total operating revenues, gains and other support	224,791,040	292,178,245
Expenses:		
Salaries and wages	39,178,365	61,415,837
Employee benefits	9,608,207	13,457,344
Other expenses	55,283,425	66,009,255
Other expenses, Statewide Adoption and Permanency Network	71,946,498	70,441,341
Nursing home assessment	703,364	883,773
Interest	5,355,723	8,228,149
Depreciation and amortization	13,968,853	17,429,772
Total expenses	196,044,435	237,865,471
Operating income	28,746,605	54,312,774
Non-operating income (loss):		
Net periodic pension benefit, non-service component	403,647	55,256
Equity gains in joint venture	88,383	191,549
Unrealized gains (losses) on investments	(26,532,535)	7,552,182
Loss from early extinguishment of debt	(865,823)	(3,846,572)
Total non-operating income (loss)	(26,906,328)	3,952,415
Excess of operating revenues, gains and other support over expenses	$ 1,840,277	$ 58,265,189

See notes to consolidated financial statements

Diakon and Controlled Affiliated

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022	2021
Other changes:		
Pension-related changes other than net periodic pension benefit	$ 11,584,094	$ 9,821,564
Increase in fair value of swap agreement	766,985	382,563
Net assets released from restrictions, capital	372,344	49,291
Total other changes	12,723,423	10,253,418
Increase in net assets without donor restrictions	14,563,700	68,518,607
Net assets with donor restrictions:		
Contributions and bequests	442,550	897,825
Investment income, net of expenses	631,042	1,544,042
Unrealized gains (losses) on investments	(4,803,858)	1,432,608
Net assets released from restrictions, operations	(1,491,964)	(1,845,198)
Net assets released from restrictions, capital	(372,344)	(49,291)
Change in beneficial interest in trust	(397,779)	320,584
Increase (decrease) in fair value of funds held in trust by others	(8,472,159)	3,059,687
Increase (decrease) in net assets with donor restrictions	(14,464,512)	5,360,257
Increase in net assets	99,188	73,878,864
Net assets, beginning	141,350,789	67,471,925
Net assets, ending	$ 141,449,977	$ 141,350,789

Diakon and Controlled Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	$ 99,188	$ 73,878,864
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized gains on investments	(1,344)	(221,189)
Net unrealized losses (gains) on investments	31,336,393	(8,984,790)
Depreciation and amortization	13,968,853	17,429,772
Amortization of debt issuance costs	195,475	194,825
Decrease in pension liability	(11,987,742)	(9,876,820)
Amortization of bond premium	(712,585)	(972,034)
Amortization of entrance fees	(8,178,596)	(8,670,455)
Proceeds from entrance fees	14,465,289	8,654,441
Change in funds held in trust by others and beneficial interest in trust	8,869,938	(3,095,345)
Gain on fair value of swap agreement	(766,985)	(382,563)
Equity in gains of joint venture	(88,383)	(191,549)
Gains on disposal of assets	(20,377,943)	(43,978,762)
Loss from early extinguishment of debt	865,823	3,846,572
Variable lease adjustments	(6,996)	(36,317)
Change in assets and liabilities:		
Accounts receivable and estimated third-party payor settlements	(8,170,284)	(123,465)
Prepaid expenses and other current assets	(178,854)	(137,593)
Operating lease right-of-use assets	(8,978)	521,203
Other assets	(192,631)	(202,728)
Accounts payable, accrued expenses, and other liabilities	(5,127,978)	829,165
Deposits, patients and residents	(67,305)	(181,543)
Operating lease liabilities	(10,240)	(529,883)
Net cash provided by operating activities	13,924,115	27,769,806
Cash flows from investing activities:		
Purchases of investments and assets limited as to use	(26,319,382)	(26,480,052)
Proceeds from sales of investments and assets limited as to use	27,259,128	16,752,381
Contributions and charitable gift/remainder trusts	201,888	71,917
Purchase of property and equipment	(14,221,626)	(11,029,633)
Proceeds from sale of property and equipment	24,425,260	54,513,596
Net cash provided by investing activities	11,345,268	33,828,209
Cash flows from financing activities:		
Payment of long-term debt	(6,741,391)	(5,375,322)
Proceeds from issuance of long-term debt	27,014,532	-
Payment of deferred debt issuance costs	(753,598)	-
Bond refunding	(23,837,190)	(57,329,942)
Principal payments under finance lease obligations	(273,699)	(565,636)
Net (payments) proceeds on lines of credit	(451,747)	451,747
Proceeds from entrance fees	1,716,175	1,612,170
Refunds of entrance fees	(4,570,283)	(2,274,593)
Net cash used in financing activities	(7,897,201)	(63,481,576)
Net increase (decrease) in cash, cash equivalents and restricted cash	17,372,182	(1,883,561)
Cash, cash equivalents and restricted cash, beginning	28,982,007	30,865,568
Cash, cash equivalents and restricted cash, ending	$ 46,354,189	$ 28,982,007

See notes to consolidated financial statements

	2022	2021
Reconciliation of cash, cash equivalents and restricted cash		
Amounts reported in these lines on the consolidated balance sheets		
Current assets:		
Cash and cash equivalents	$ 9,261,958	$ 10,138,935
Assets limited as to use	11,065,998	11,974,509
Assets limited to use, less current portion:		
Other	26,026,233	6,868,563
Total cash, cash equivalents and restricted cash	$ 46,354,189	$ 28,982,007

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

a. Organization

Diakon is a private, nonprofit charitable organization recognized by the Internal Revenue Service as a 501(c)(3) corporation and exempt from federal income taxation under the group exemption of the Evangelical Lutheran Church in America (ELCA). Diakon is the sole member of Diakon Lutheran Social Ministries (DLSM), Diakon Lutheran Fund (DLF), Diakon Lutheran Senior Living-Maryland LLC (DLSL-MD), Diakon Child, Family and Community Ministries (DCFCM), Diakon Medical Group LLC (DMG), and Diakon Home Care Services LLC (DHCS). DLSM is the sole member of Diakon-SWAN LLC (SWAN LLC) and is related to four U.S. Department of Housing and Urban Development (HUD) senior housing projects by appointment of the boards of Diakon Lutheran Senior Housing at Heilman House and Diakon Lutheran Senior Housing at Luther Meadows, and by acting as sole member of Diakon Lutherwood Senior Housing LLC and Diakon Frostburg Senior Housing, LLC (the HUD Entities). DCFCM is the sole member of Old Main LLC (Old Main). Diakon is affiliated with ELCA through Lutheran Services in America (LSA), the membership alliance of Lutheran social ministry organizations and church bodies. Diakon has a relationship with the following participating synods: Delaware-Maryland, Lower Susquehanna, Northeastern Pennsylvania, Southeastern Pennsylvania, and Upper Susquehanna. Through a cooperative agreement, it also serves in the Allegheny Synod (collectively, the Synods). In accordance with Diakon's bylaws, the bishops of the Synods elect the majority of Diakon's board of directors. The bishops of the Synods also elect the majority of DLSM's and DCFCM's board of directors. The board of Diakon, in its role as sole member, appoints the board for DLF.

b. Description of Controlled Affiliates

DLSM is a Pennsylvania nonprofit corporation recognized as a charitable organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxation under the group exemption of the ELCA. DLSM provides senior living and health care services in Pennsylvania.

DLSL-MD, a Maryland Limited Liability Company, was the operating entity for a retirement living community in Maryland. DLSL-MD is a disregarded entity of Diakon for federal tax purposes. On June 30, 2022, the property operated by DLSL-MD was sold (Note 4), and there were no current operations associated with this entity as of the date of sale.

DCFCM, a 501(c)(3) corporation, operates various programs serving children, communities, and families.

DLF, a 501(c)(3) corporation, is authorized by its charter to provide management of its own investment portfolio and other Diakon affiliates' investments and solicit contributions for the charitable organizations that it supports. As of January 1, 2023, DLF was converted to a disregarded limited liability company of Diakon, and the Diakon board became the governing body of DLF.

In the absence of donor restrictions, DLF has discretionary control over the amounts, timing, and use of its distributions to the charitable organizations that it supports. Certain of its funds are restricted to children, youth, community and family programs.

SWAN LLC, a Pennsylvania Limited Liability Company, provides an array of administrative and support services for the Pennsylvania Statewide Adoption and Permanency Network, a program overseen and funded by the Pennsylvania Department of Human Services. SWAN LLC is a disregarded entity of DLSM for federal tax purposes.

DMG, a Pennsylvania Limited Liability Company, provided medical director and physician services to the Diakon senior living communities. DMG was a disregarded entity of Diakon for federal tax purposes and ceased operations effective June 30, 2021.

Old Main, a Pennsylvania Limited Liability Company, was created to be the borrower and operator of the Old Main Building project at the Lutheran Home at Topton campus. Old Main is a disregarded entity of DCFCM for federal tax purposes.

c. Basis of Consolidation

The accompanying consolidated financial statements have been prepared to focus on Diakon and all controlled affiliated organizations (collectively, the Corporation) as a whole. All material intercompany transactions have been eliminated in consolidation.

d. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present balances and transactions according to the existence or absence of donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as net assets released from restrictions on the consolidated statements of operations and changes in net assets.

There are two classes of net assets:

Net Assets With Donor Restrictions - are assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Corporation. Certain restrictions are maintained in perpetuity.

Net Assets Without Donor Restrictions - are amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

e. Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing instruments with an original maturity of three months or less from the date of purchase, excluding amounts classified as assets limited as to use.

The Corporation has exposure to credit risk related to cash on deposit at financial institutions in excess of FDIC insured limits. The Corporation has not experienced any losses to date in these accounts.

f. Accounts Receivable

Accounts receivable from patients, residents, and clients are reported at estimated net realizable value taking into account estimated implicit and explicit price concessions. The allowances for 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 patients, residents and clients who have third-party coverage (which includes deductible and payment balances for which third-party coverage exists for part of the bill), the Corporation 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 patient and resident service revenue recognized and to establish an appropriate estimate for price concession allowances.

g. Investments and Investment Risk

Investments are measured at fair value on the consolidated balance sheets.

Investment income and gains and losses on the sale of investments are added to or deducted from the appropriate net asset classification depending on the existence of donor-imposed restrictions. Investment expenses are netted with investment gains and losses.

h. Assets Limited as to Use

Assets limited as to use include assets held by trustees under mortgage agreements with agencies of the U.S. government; assets held by trustees under bond indentures; and donor and other restricted funds. In addition, the current portion of assets whose use is limited includes restricted cash associated with the unused advance payments associated with federal and state government awards that will be used in the next 12 months to offset lost revenue and qualified expenditures associated with the COVID-19 pandemic (Note 16). Investment income and gains and losses on assets limited as to use are included in investment income.

i. Investment in Joint Venture

Investment in joint venture represents an investment in a 50% owned information technology joint venture. The Corporation accounts for the equity interest it has in a for-profit joint venture where it has significant influence under the equity method of accounting.

j. Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost. The cost of maintenance and repairs is expensed as incurred, whereas significant renewals and betterments are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of the depreciable assets.

Depreciable lives are determined as follows:

	Years
Land improvements	10 - 25
Buildings	10 - 40
Furniture and equipment	3 - 20
Vehicles	4 - 7
Leasehold improvements	Lesser of lease term or asset life

Gifts of long-lived assets such as land, buildings, or equipment are recorded at fair value and are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest cost incurred on borrowed funds less interest income earned on these funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

k. Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets held for sale or disposal are no longer depreciated and are separately presented on the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell. No impairment losses were recognized in 2022 or 2021.

l. Leases

The Corporation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Corporation also considers whether its service arrangements include the right to control the use of an asset. The Corporation has three asset classes for leases, property, vehicles, and equipment.

The Corporation recognizes most leases on its consolidated balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

The Corporation has elected not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Corporation uses the explicit or implied interest rate based on the lease terms.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred.

The Corporation has elected to account for lease and non-lease components in its contracts as a single lease component for its leased equipment and property. The non-lease components typically represent additional services transferred to the Corporation, which are variable in nature and recorded as lease expense in the period incurred.

See Note 5 for additional lease disclosures.

m. Deferred Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method over the term of the applicable obligation, which approximates the effective-interest method. Amortization expense was $195,475 and $194,825 in 2022 and 2021, respectively. Amortization expense is expected to approximate $200,000 over the next five years.

n. Receivables From Charitable Gift Annuities

Independent trustees maintain charitable gift annuities for which the Corporation has been named beneficiary of the corpus and will receive these funds upon the death of the annuitant.

o. Funds Held in Trust by Others and Beneficial Interest in Trust

DLSM, or its predecessor entities, and DLF (the beneficiaries) have been named as the beneficiaries of a number of trusts that are administered and controlled by independent trustees. The trusts are recorded as contribution revenue when the beneficiaries are notified of the trust's existence. The beneficiaries receive the earnings from these trusts whose principal is to be held in perpetuity. The earnings from the trusts are recorded as income from trusts.

Funds held in trust by others and the beneficial interest in trust are valued at the fair value of the underlying investments. The change in the fair value of funds held in trust by others and beneficial interest in trust is reported as a change in net assets with donor restrictions.

p. Self-Insurance

Accounts payable and accrued expenses and other long-term liabilities include a provision for estimated self-insured workers' compensation, health insurance, and general and professional liability claims for both reported claims not yet paid and claims incurred but not reported.

q. Deposits - Patients and Residents

Deposits - patients and residents represents security deposits paid in advance to cover possible costs when patients and residents vacate their apartments or personal care units. These deposits are taken into income only if earned upon the termination of a residency agreement.

Deposits - patients and residents also includes nursing home patients' funds held in safekeeping by the Corporation for the patients' personal use.

r. Pension Benefits

The Corporation has a noncontributory defined benefit pension plan covering certain employees upon their retirement. The benefits are based on years of service and the employee's compensation. On August 17, 2011, DLSM (the plan sponsor) amended the pension plan to freeze benefit accruals, effective December 31, 2011, and to freeze participation with respect to new participants, effective January 2, 2012.

The Corporation records annual amounts relating to its pension plan at their actuarial present value based on calculations that incorporate various assumptions, including discount rates, mortality, assumed rates of return, compensation increases, and turnover rates.

s. Derivative Instruments

The Corporation entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable rate revenue bonds (Note 9). The interest rate swap is reported at fair value in the balance sheets and changes in fair value are reported within other changes on the consolidated statements of operations and changes in net assets.

t. Entrance Agreement Contracts

Entrance fees paid by residents of the Corporation's independent living units, including certain cottages and apartments, are recorded as deferred revenue and/or refundable entrance fee liability, depending on the nature of the contractual arrangement with the respective resident. The Corporation's financial reporting policies related to such contracts and the related recognition of associated entrance fee amortization revenue are described further in the Revenue Recognition disclosure (Note 2).

u. Conditional Asset Retirements

The Corporation has evaluated its facilities to determine if it has a liability for the fair value of a conditional asset retirement obligation. The types of asset retirement obligations evaluated are those for which an entity has a legal obligation to perform an asset retirement activity; however, the timing and (or) method of settling the obligation is conditional on a future event that may or may not be within the control of the Corporation. No material conditional asset retirement obligations have been identified by the Corporation as of December 31, 2022 or 2021.

v. Obligation to Provide Future Services to Continuing Care Residents

The Corporation has determined that if the present value of the net costs of future services and use of facilities to be provided to current residents (excluding adjustable periodic fees) exceeds the balance of deferred revenue from entrance fees, a liability would be recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The Corporation determined that there was no future service obligation liability as of December 31, 2022 or 2021.

w. Income Taxes

Diakon and its controlled affiliates are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and have been recognized as tax exempt under 501(a) of the Code.

The Corporation uses a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Corporation does not believe that there are any unrecognized tax benefits or liabilities that should be recorded. Generally, tax returns for years ended December 31, 2019, and thereafter remain subject to examination by federal and state taxing authorities.

x. Patient and Resident Service Revenue

Patient and resident service revenue primarily relates to the provision of services to the Corporation's senior living customers. The Corporation's policies related to recognition of revenue from such customers is described in the Revenue Recognition disclosure (Note 2).

y. Contributions and Donor Restrictions

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as increases in net assets with donor restrictions and reclassified to net assets without donor restrictions as net assets are released from restrictions.

Contributions, including unconditional promises to give, if any, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of contribution. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectable contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions, and nature of fund-raising activity.

z. Loss From Early Extinguishment of Debt

During the year ended December 31, 2021, the Corporation executed an Escrow Agreement with Cumberland County Municipal Authority and Manufacturers and Traders Trust Company, as escrow agent, which provided for the legal defeasance and refunding of a portion of the outstanding Series 2015 Bonds and a portion of the outstanding Series A 2019 Bonds (Note 6). This transaction resulted in the recognition of a loss from early extinguishment of debt in the amount of $3,846,572 which is recorded on the consolidated statement of operations and changes in net assets for the year ended December 31, 2021.

During the year ended December 31, 2022, the Corporation executed two escrow agreements, one with Cumberland County Municipal Authority and Manufacturers and Traders Trust Company, as escrow agent, which provided for the legal defeasance and refunding of a portion of the outstanding Series A 2019 Bonds (Note 6), and one with the County Commissioners of Washington County, Maryland and Manufacturers and Traders Trust Company, as escrow agent, which provided for the legal defeasance and refunding of the remaining Series B 2019 Bonds (Note 6). These transactions resulted in the recognition of a loss from early extinguishment of debt in the amount of $865,823, which is recorded on the consolidated statement of operations and changes in net assets for the year ended December 31, 2022.

aa. Operating Income

The consolidated statements of operations and changes in net assets include an intermediate measure of operations labeled "Operating income." Changes that are excluded from this measure include net periodic pension benefit, joint venture equity changes, unrealized gains and (losses) on investments, and loss from early extinguishment of debt.

bb. Performance Indicator

The consolidated statements of operations and changes in net assets include a performance indicator of operations labeled "Excess of operating revenues, gains and other support over expenses." Changes in net assets without donor restrictions that are excluded from this measure include pension-related changes other than net periodic pension benefit, net assets released from restrictions for capital purposes, and changes in the fair value of swap agreement.

cc. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

dd. Statutory Reserve Requirement

The Pennsylvania Continuing Care Provider Registration and Disclosure Act requires a statutory reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loan or 10% of the projected annual operating expenses of the facilities exclusive of depreciation, computed only on the proportional share of financing or operating expenses that is applicable to residents under entrance fee agreement contracts. This statutory reserve requirement is considered to be fulfilled from equity and fixed income funds included within assets limited as to use. The Pennsylvania statutory reserve as of December 31, 2022 and 2021, was $5,523,908 and $7,062,597, respectively.

The State of Maryland regulation 32.02.01.20 required DLSL-MD, a licensed continuing care retirement community, to maintain an operating reserve of $1,887,051 as of December 31, 2021. On June 30, 2022, the property operated as a continuing care retirement community in Maryland by DLSL-MD was sold; therefore, no operating reserve was required as of December 31, 2022.

ee. Changes in Accounting Principles

During March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities could elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. During December 2022, the FASB issued ASU No. 2022-06, “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.”

These amendments defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The Corporation is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 would have on its results of operations, financial position, and cash flows.

ff. Reclassifications

Certain prior period amounts have been reclassified to conform with the current period consolidated financial statement presentation.

2. Revenue Recognition

Patient and Resident Service Revenue

Patient and resident service revenue primarily relates to the services provided to the senior living customers residing in the communities operated by DLSM and DLSL-MD. Such revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient and resident services. These amounts are due from patients, residents, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients, residents, and third-party payors either: (a) on a monthly basis for those customers that are permanent residents, or (b) several days after completion of a short-term service (i.e., skilled nursing short-term rehabilitation or outpatient rehabilitation services).

Performance obligations are determined based on the nature of the services provided by the Corporation. The majority of senior living services provided by the Corporation involve performance obligations which are satisfied at the time the services are provided or shortly thereafter, therefore revenue for such services is recognized when services are rendered.

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors. The Corporation determines its estimates of explicit price concessions and discounts based on applicable government reimbursement guidelines, contractual agreements with payors, and historical experience.

In addition to explicit price concessions, the Corporation determines its estimate of implicit price concessions based on its historical collection experience with the respective class of payors. Such implicit price concessions arise from self-pay financial obligations which are deemed uncollectable, or from third-party payors which deny payment for administrative errors, insufficient medical documentation, or a variety of other reasons. Such implicit price concessions are periodically evaluated and adjusted based on the organization's historical collection experience.

With the exception of continuing care residency agreements (CCRC Agreements) all of the Corporation's other senior living related performance obligations relate to contracts with customers with a duration of less than one year; therefore, with the exception of the obligations related to such CCRC Agreements, the Corporation is not disclosing the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare - Reimburses certain short-term skilled nursing and rehabilitative services which are paid at prospectively determined rates based on clinical factors. Medicare also reimburses certain outpatient services and physician services, which are paid at rates determined by applicable fee schedules.

Medicaid - Reimbursements for Medicaid long-term care skilled nursing services are paid at either prospectively determined rates based on clinical factors, or contractually negotiated rates with Medicaid managed care insurance plans.

Managed Care and Commercial Insurance - The Corporation has various contractual agreements in place with commercial insurance carriers, health maintenance organizations, and preferred provider organizations which reimburse for certain short-term skilled nursing and rehabilitative services using prospectively determined rates or contractually negotiated fee arrangements. Such payors also provide reimbursement for certain outpatient services based on contractually negotiated fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are extremely complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation. In addition, the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2022 or 2021.

Entrance Fee Contracts

DLSM offers independent living accommodations and services pursuant to CCRC Agreements, which require payment of an up front, one time entrance fee and monthly service fees. In exchange for payment of the entrance fee and monthly fees, residents residing in a senior living community (referred to herein as CCRC Residents) are entitled to occupancy rights of their independent living accommodation and certain services and amenities for as long as they live. The Corporation only offers a fee-for-service contract to prospective residents, whereby the CCRC Resident has preferred access to personal care, assisted living, and skilled nursing services at a Diakon senior living facility, but is required to pay the prevailing rate for such services at the time the resident requires them. DLSM communities had offered lifecare agreements prior, but no longer offer such contracts to prospective residents. As of December 31, 2022, there were 564 outstanding CCRC Agreements at DLSM communities, of which one was a lifecare agreement.

Performance obligations relative to entrance fees are determined based upon the services outlined in the resident entrance fee contract. Performance obligations are satisfied and the related revenue is recognized over the resident's life expectancy. As the life expectancy matches the expected consumption of resources, the performance obligation is satisfied when the resident receives such services. The Corporation measures the performance obligation from the time a resident moves in to the point when it is no longer required to provide service to the resident, which is generally at the time a resident transfers to another location or passes on.

CCRC Agreements offered by the Corporation feature nonrefundable and guaranteed refundable components. The nonrefundable component of a CCRC Agreement features an amortization provision whereby the nonrefundable component of the entrance fee is earned ratably by the Corporation over a future time period following the initial date of occupancy, generally 49 months or less. After 49 months of occupancy, no refund is due to the CCRC Resident.

A refund payment can be triggered on the portion of the CCRC Agreement that is nonrefundable, as the agreements contain provisions whereby the nonrefundable portion of the entrance fee is earned over a period of time following the initial date of occupancy. However, the Corporation has chosen to recognize revenue on the nonrefundable portion of the entrance fee for CCRC Agreements, as the Corporation does not have a reasonably objective basis to identify in advance which contracts are likely to trigger refunds. Accordingly, the nonrefundable portion of entrance fees as stated in each contract is recorded as deferred revenue and amortized to revenue over the estimated life expectancy of the residents.

The guaranteed refundable component of a CCRC Agreement features a provision which guarantees a certain percentage of the original entrance fee paid is refunded to the CCRC Resident upon termination of the agreement and following receipt of an entrance fee payment from a new resident for the unit previously occupied by the CCRC Resident. The component of a CCRC Agreement which is guaranteed refundable is recorded as a refundable entrance fee liability. No revenue is recognized in conjunction with the guaranteed refundable component of a CCRC Agreement.

The amount of entrance fees subject to contractual refunds was approximately $34,355,000 and $36,236,000 as of December 31, 2022 and 2021, respectively.

The Corporation may receive entrance fee payments prior to the date an independent living resident occupies a living unit. Such entrance fee deposits received during 2022 and 2021 amounted to $1,921,900 and $1,138,500, respectively, and are included in refundable entrance fee liability on the accompanying consolidated balance sheets. The Corporation maintains separate entrance fee escrow accounts, which are a component of cash and cash equivalents. The amounts in the entrance fee escrow accounts cover deposit liabilities to prospective independent living residents. Such amounts in the entrance fee escrow accounts totaled $2,373,000 and $1,250,000 as of December 31, 2022 and 2021, respectively.

Monthly fees paid by CCRC Residents entitle the occupant to simultaneously receive and consume benefits indicated in the CCRC Agreement; therefore, the Corporation records monthly fee revenue for CCRC Agreements in the period such services are rendered.

Charity Care

The Corporation provides services to patients and residents who cannot afford the full cost of care because of inadequate resources and/or who are uninsured or underinsured and offers those persons a discount from standard charges in accordance with its benevolent care policies. Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. The Corporation considers discounts for those patients and residents who have made application for benevolent care subsidy. The monthly fees charged to such patients and residents are reduced to the amount the patient or resident can afford to pay from their resources, inclusive of any other forms of charitable support they may qualify for.

The Corporation maintains records to identify and monitor the amount of charity care it provides. These records include direct and indirect costs for services and supplies furnished under its charity care policy. The total cost of charity care under these policies amounted to $2,069,514 and $3,111,408 for the years ended December 31, 2022 and 2021, respectively. The cost of charity care is estimated by management based upon the cost to gross charges ratio multiplied by the gross uncompensated charges associated with providing care. The Corporation received contributions of approximately $649,000 and $186,000 for the years ended December 31, 2022 and 2021, respectively, to offset or subsidize charity care services provided.

Resident and Patient Service Revenue by Service Line and Payor

The composition of resident and patient service revenue by payor for the years ended December 31 is as follows:

	2022	2021
Senior living services revenue, net:		
Private pay	$ 42,099,462	$ 56,783,836
Medicaid	16,261,263	33,212,354
Medicare Part A	6,856,944	12,418,179
Managed care and commercial insurers	5,278,745	9,727,126
Medicare Part B	1,475,939	3,435,409
Total senior living services revenue	71,972,353	115,576,904
Diakon Medical Group	-	407,669
Patient and resident service revenue, net	$ 71,972,353	$ 115,984,573

The composition of patient and resident service revenue by respective line of service for the years ended December 31 is as follows:

	2022	2021
Nursing care	$ 42,900,438	$ 77,705,779
Personal care/assisted living	11,295,393	19,569,412
Independent living	17,776,522	18,301,713
Other	-	407,669
Total	$ 71,972,353	$ 115,984,573

Nursing Home Assessment

Pennsylvania nursing providers are subject to a Nursing Home Assessment (the Assessment) which was approved by the Centers for Medicare and Medicaid Services (CMS) in September 2003. The Assessment requires all Pennsylvania nursing homes, except for county homes, to pay a fee to the Department of Human Services (DHS) based upon all non-Medicare days. The DHS makes supplemental payments back to nursing home facilities based upon a standard rate per Medicaid day claimed. Total nursing home assessment revenues and expenses were $1,940,000 and $703,364 for 2022, respectively, and $3,517,123 and $883,773 for 2021, respectively.

Contract Revenue, Other Fees and Services

Contract Revenue and Other Fees and Services revenue primarily relates to the activities of the Corporation's non-senior living affiliates, most notably DCFCM and the HUD entities.

DCFCM generates the majority of its revenue from third-party payors, including health insurers and government payor sources. A small proportion of DCFCM revenue is from self-pay sources, generally made up of deductibles and co-insurance for outpatient behavioral health services. Typically, DCFCM bills either: (a) on a monthly basis for government contracted services, or (b) at the time of service or shortly thereafter for outpatient services. Payor sources include:

- Various County government agencies which provide funding for foster care resource families, family preservation services, certain youth service programs, community senior centers, and certain behavioral health programs.

- The Commonwealth of Pennsylvania, Department of Human Services which provides funding for statewide adoption services.
- Medicaid which provides funding for certain behavioral health programs.
- Commercial Insurance which provides funding for certain behavioral health programs.
- Various foundations, government sources, and other payors providing operating grants for certain DCFCM activities.

Diakon's affordable housing properties are subject to the regulations of HUD, which establishes resident eligibility guidelines, rent subsidy amounts for eligible residents, and resident's financial responsibilities. Contract pricing is also determined by such HUD guidelines.

Performance obligations are determined based on the nature of the services provided and the related contractual agreements with payors. Both DCFCM and the affordable housing entities offer services involving performance obligations which are satisfied at the time the services are provided, therefore revenue is recognized when such services are rendered. Neither DCFCM nor the affordable housing properties have contracts with unsatisfied performance obligations.

The contract price is typically determined by the terms of contractual arrangements with governmental and other third-party payors, and such pricing arrangements are determined by a negotiated fee schedule. DCFCM and the affordable housing entities recognize revenue at the agreed-upon contractual price with government payors, less implicit price concessions based on its historical collection experience with the respective class of payors.

In 2022 and 2021, the Corporation included COVID-19 related award revenue as a component of contract revenue. Refer to Note 16 for information regarding sources of provider relief funds and amounts recognized as income. The composition of Contract Revenue and Other Fees and Services revenue by major program for the years ended December 31 is as follows:

	2022	2021
DCFCM Programs:		
Youth services	$ 3,119,111	$ 3,100,748
Permanency services	8,843,765	9,555,215
Family life services	1,083,237	679,667
Community services for seniors	2,186,023	1,943,145
DCFCM pandemic funds	111,308	-
Other DCFCM	235,052	51,500
DCFCM program services	15,578,496	15,330,275
HUD	1,914,167	1,825,288
DCFCM provider relief and paycheck protection funds	-	2,690,790
Diakon Medical Group provider relief and paycheck protection funds	-	214,995
DLSM & DLSL-MD provider relief funds	10,079,987	5,769,504
DLSM & DLSL-MD other	-	6,817
Total contract revenue	$ 27,572,650	$ 25,837,669

	2022	2021
DCFCM Programs:		
Youth services	$ 123,205	$ 113,080
Permanency services	2,226,969	2,221,414
Family life services	6,926,047	5,603,045
Community services for seniors	48,641	41,244
Other DCFCM	62,360	65,031
DCFCM total	9,387,222	8,043,814
HUD	1,511,238	1,432,001
DLSM & DLSL-MD	661,585	803,019
Diakon Medical Group	-	1,299
Other	792,490	143,028
Total other fees and services revenue	$ 12,352,535	$ 10,423,161

Statewide Adoption and Permanency Network Revenue

SWAN LLC is subject to performance obligations indicated in its contract with the Pennsylvania Department of Human Services. Such performance obligations include provision of certain administrative, technical, and support services related to the operations of the Statewide Adoption and Permanency Network, as outlined in an annual work-plan and budget approved by the DHS. In addition to the services rendered by its own personnel, SWAN LLC contracts with third-party adoption agencies which complete various case management and related services for children in the custody of a Pennsylvania county child welfare agency. The contract price for such adoption services is a statewide standard rate for each type of service. SWAN LLC invoices the DHS monthly for its provision of administrative, technical, and support services, and also for any units of service completed by adoption agencies. SWAN LLC, in turn, reimburses contracted adoption agencies on a dollar-for-dollar basis for completed services, following receipt of reimbursement from the DHS. Revenue recognized by SWAN LLC equals the amounts invoiced to the DHS as historically there have been no implicit or explicit price concessions related to the services rendered by SWAN LLC. Contract revenue is recognized over a period of time as the performance obligation is satisfied, using an output method, whereby revenue is recognized as a direct measurement of the service transferred to date relative to the remaining service promised under contract. There is no variable consideration applied to the transaction price in either the performance obligations satisfied in fiscal years 2022 or 2021, or the future unsatisfied performance obligation. The current contract between DHS and SWAN LLC was signed on November 2022 and covers the period of January 2023 through June 2023; therefore, as of December 31, 2022, SWAN LLC has an unsatisfied performance obligation associated with the active contract with DHS of approximately $40,900,000.

Contract Acquisition Costs

The Corporation has applied the practical expedient provided by the Financial Accounting Standards Board (FASB) ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

Financing Component

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a customer and the time that the customer or a third-party payor pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with customers that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

3. Assets Limited as to Use and Investments

The composition of assets limited as to use as of December 31 is set forth in the following table:

	2022	2021
Under bond indentures for debt service reserve fund:		
Cash and short-term investments	$ 2,091	$ 2,065
Debt service and sinking fund:		
Cash and short-term investments	5,685,324	9,889,976
Construction funds:		
Cash and short-term investments	23,514,332	-
Endowment funds:		
Cash and short-term investments	1,916,090	1,660,142
Equity funds	9,394,487	9,531,220
Fixed income funds	3,711,292	3,422,900
Donor and other temporarily restricted funds:		
Cash and short-term investments	3,134,279	4,482,495
Equity funds	5,949,014	9,704,423
Fixed income funds	2,935,432	4,121,330
Assets limited to use for HUD reserves:		
Cash and short-term investments	2,663,737	2,599,714
By board for designated purposes:		
Other designated purposes:		
Cash and short-term investments	179,171	208,680
Equity funds	-	4,246
Fixed income funds	142,097	199,444
Statutory minimum liquid reserves:		
Equity funds	3,069,940	4,075,423
Fixed income funds	2,453,968	2,987,174
Total assets limited as to use	$ 64,751,254	$ 52,889,232

A summary of investments as of December 31 is as follows:

	2022	2021
Cash and short-term investments	$ 9,805,865	$ 11,563,067
Equity funds	72,486,123	92,312,774
Fixed income funds	57,189,372	61,493,177
Investments	$ 139,481,360	$ 165,369,018

The combined composition of assets limited as to use and investments as of December 31 is as follows:

	2022		2021	
	Amount	**Percent**	**Amount**	**Percent**
Cash and short-term investments	$ 46,900,890	23 %	$ 30,406,139	14 %
Equity funds	90,899,564	44	115,628,086	53
Fixed income funds	66,432,160	33	72,224,025	33
Total	$ 204,232,614	100 %	$ 218,258,250	100 %

Total investment return for the years ended December 31 consists of the following:

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Interest and dividends, net of expenses	$ 3,850,287	$ 631,042	$ 4,481,329
Net realized gains on investments	1,344	-	1,344
Investment income, net of expenses	3,851,631	631,042	4,482,673
Unrealized losses on investments	(26,532,535)	-	(26,532,535)
Unrealized losses on net assets with donor restrictions	-	(4,803,858)	(4,803,858)
Total investment losses	$ (22,680,904)	$ (4,172,816)	$ (26,853,720)

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Interest and dividends, net of expenses	$ 7,241,275	$ 1,544,042	$ 8,785,317
Net realized gains on investments	221,189	-	221,189
Investment income, net of expenses	7,462,464	1,544,042	9,006,506
Unrealized gains on investments	7,552,182	-	7,552,182
Unrealized gains on net assets with donor restrictions	-	1,432,608	1,432,608
Total investment return	$ 15,014,646	$ 2,976,650	$ 17,991,296

4. Land, Buildings and Equipment

Land, buildings and equipment and accumulated depreciation as of December 31 are as follows:

	2022	2021
Land	$ 5,075,099	$ 7,638,378
Land improvements	19,444,417	20,105,064
Buildings	265,200,937	271,041,370
Furniture and equipment	32,185,172	34,050,641
Vehicles	76,882	142,716
	321,982,507	332,978,169
Accumulated depreciation	(194,968,245)	(194,708,946)
	127,014,262	138,269,223
Construction in progress	9,991,640	9,370,240
Less assets held for sale	-	(11,226,771)
	$ 137,005,902	$ 136,412,692

Depreciation expense for the years ended December 31, 2022 and 2021, was $13,674,811 and $16,859,450, respectively.

Construction in progress as of December 31, 2022 and 2021, is principally capitalized costs related to the repositioning of the Corporation's Senior Living Service (SLS) campuses.

Noncash purchases of land, buildings and equipment totaled approximately $402,347 and $1,719,000 for the years ended December 31, 2022 and 2021, respectively.

On December 1, 2021, the Corporation sold three senior living retirement communities, Frey Village, Middletown, Pennsylvania (PA), Manatawny Manor, Pottstown, PA, and Ohesson Manor, Lewistown, PA. Cash received at settlement was $54,513,596. The proceeds offset the book value of property sold approximating $18,000,000, the entrance fee liabilities approximating $5,000,000, accrued liabilities for land settlements approximating $1,000,000, accrued payroll liabilities of $568,000, and other miscellaneous amounts that netted to a liability of approximately $650,000. The transaction resulted in a gain on the sale of $43,730,616 which is included in gain on disposal of assets on the consolidated statement of operations and changes in net assets. The sold communities contributed a decrease in net assets of approximately $1,500,000 to the overall change in net assets reported in 2021.

A fourth community in Hagerstown, Maryland, was subject to the same asset purchase agreement; however, the sale closed on June 30, 2022. Cash received at settlement was approximately $24,765,178. The proceeds offset the book value of property sold approximating $11,300,000, the entrance fee liabilities approximating $7,200,000, and other miscellaneous amounts that net to an asset of $287,000 to result in a gain on the sale of $20,377,943. The sold community contributed a decrease in net assets of approximately $1,300,000 to the overall change in net assets reported in both 2022 and 2021.

5. Leases

The Corporation has leases in three asset classes as described in Note 1l. Several leases include multiple optional renewal periods. Generally, the Corporation does not consider any additional renewal periods to be reasonably certain of being exercised.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

The components of lease expense are as follows for the years ended December 31:

	2022	2021
Finance lease costs:		
Amortization	$ 294,041	$ 570,322
Interest expense	29,312	34,488
Operating lease cost	881,863	927,144
Short-term lease cost	173,526	96,013
Total lease cost	$ 1,378,742	$ 1,627,967

Supplemental cash flow information related to leases is as follows for the years ended December 31:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for finance leases	$ 29,312	$ 34,488
Operating cash flows for operating leases	900,242	934,186
Financing cash flows for finance leases	273,699	565,636
Right-of-use assets obtained in exchange for new finance lease liabilities	172,031	402,345
Right-of-use assets obtained in exchange for new operating lease liabilities	638,700	48,984
Weighted average remaining lease term for financing leases (in years)	3.35	3.67
Weighted average remaining lease term for operating leases (in years)	3.94	3.04

The weighted-average discount rates for the year ended December 31 were as follows:

	2022	2021
Weighted average discount rates:		
Financing leases	4.27 %	4.19 %
Operating leases	4.56 %	4.43 %

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2022, is as follows:

	Operating	Finance
2023	$ 785,157	$ 256,898
2024	649,607	213,930
2025	319,147	145,561
2026	104,817	112,387
2027	87,156	15,495
Thereafter	250,800	-
Total lease payments	2,196,684	744,271
Imputed interest	(219,461)	(53,322)
Total lease liability	$ 1,977,223	$ 690,949

6. Long-Term Debt

The Corporation has established an obligated group (the Obligated Group) comprised of the assets/liabilities and activities of the DLSM corporate entity, excluding the activities of the following related entities of DLSM: Diakon - SWAN LLC and the four HUD entities outlined in Note 1 (a).

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

	2022	2021
Obligated Group:		
Maxatawny Township Municipal Authority, Revenue Bond Series A of 2022, $27,155,000 of tax-exempt fixed interest rate bonds with principal payments in annual installments ranging from $540,000 to $4,965,000 beginning 2039 through 2045 (the final maturity date). Interest rates range from 4.5% to 5.0% and the bonds were issued at an aggregate discount of $358,043, which is being amortized ratably over the life of the issue, to yield an effective interest rate of 4.74%.	$ 27,155,000	$ -
Maxatawny Township Municipal Authority, Revenue Bond Series B of 2022, aggregate advances are limited to $23,750,000 and no advances are allowed after September 20, 2024. Payments are interest only beginning on October 1, 2022 through September 20, 2024 at which time any outstanding principal balance and interest is due. The variable interest of 75% times 30-day LIBOR plus a spread rate (4.51% as of December 31, 2022).	217,575	-

	2022	2021
Cumberland County Municipal Authority Bonds Series A 2019, $19,535,000 of tax-exempt fixed interest rate bonds with principal payable in installments ranging from $380,000 to $12,870,000 through January 1, 2039 (the final maturity date). The interest rate is 5.0% and the bonds were issued at an aggregate premium of $1,275,180, which is being amortized ratably over the life of the issue, to yield an effective interest rate of 4.29%.	$ 7,155,000	$ 16,945,000
Washington County, Maryland Bonds Series B 2019, $14,325,000 of tax-exempt fixed interest rate bonds with principal payable in annual installments ranging from $395,000 to 1,660,000 through 2032. The interest rate was 5.0% and the bonds were issued at an aggregate premium of $1,676,701 which was being amortized ratably over the life of the issue, to yield an effective interest rate of 3.06%. These bonds were defeased in 2022.	-	12,880,000
Wernersville Municipal Authority Bond Series 2018, $8,326,000 of tax-exempt variable rate bonds with principal payable in annual installments ranging from $182,000 to $1,160,000 through 2039. The Series 2018 bonds are subject to a floating to fixed interest rate swap which results in Diakon paying a fixed interest rate of 3.63% through October 1, 2030.	6,490,000	7,001,000
Cumberland County Municipal Authority Bonds Series 2016, $34,780,000 of tax-exempt fixed interest rate bonds with principal payable in annual installments ranging from $80,000 to $2,915,000 through 2039. Interest rates range from 2.5% to 5.0% and the bonds were issued at an aggregate premium of $4,003,300, which is being amortized ratably over the life of the issue, to yield an effective interest rate of 3.14%.	23,310,000	24,425,000
Cumberland County Municipal Authority Bonds Series 2015, $147,545,000 of tax-exempt fixed interest rate bonds with principal payable in annual installments ranging from $2,465,000 to $12,855,000 through 2038. Interest rates range from 3.0% to 5.0% and the bonds were issued at an aggregate premium of $8,559,916, which is being amortized ratably over the life of the issue, to yield an effective interest rate of 4.25%.	60,685,000	64,395,000
Non-Obligated Group:		
Mortgage notes payable, U.S. Department of Housing and Urban Development (HUD) and Wells Fargo, four individual notes collateralized by the property and equipment of the HUD Senior Housing properties. The mortgages bear interest at fixed rates ranging from 2.46% to 3.07% and monthly payments, including interest, ranging from $9,096 to $25,504 through 2051.	12,613,862	12,975,510

	2022	2021
Maxatawny Township Municipal Authority, Revenue Note Series 2017, with a maximum principal amount of $6,100,000. The mortgage note is collateralized by rental proceeds of Old Main LLC and certain endowment distributions. The note bears interest at a floating rate of 2.0% plus 67% of 30-day LIBOR (3.97% as of December 31, 2022) The note was interest only through March 31, 2019. Effective April 1, 2019, principal installments of $17,395 plus applicable interest based off variable rate, are payable monthly. Final maturity of the note is March 1, 2044.	$ 4,435,806	$ 4,644,549
	142,062,243	143,266,059
Less current maturities of bonds and mortgages payable	(4,611,812)	(6,741,392)
Unamortized debt issuance costs	(2,831,616)	(2,702,897)
Unamortized premium and discount	4,611,291	7,247,690
Total	$ 139,230,106	$ 141,069,460

In September 2022, DLSM issued the Series A and B 2022 bonds to finance a renovation and expansion project at one of the senior living communities.

The Obligated Group's outstanding bonds have been issued pursuant to the terms of a 1998 Master Trust Indenture (MTI), as amended and supplemented over time. The effect of these amendments was to consolidate the entities comprising the Obligated Group and to grant all bondholders and credit providers equal standing. The MTI contains certain provisions that require the Obligated Group to maintain certain cash deposits with a trustee as well as meet certain financial covenants on an annual basis. The MTI also places various restrictions on the Obligated Group's ability to incur additional indebtedness. The cash deposits held with the trustee are included in assets limited as to use on the consolidated balance sheets.

To secure the required loan payments for the outstanding bonds, the Obligated Group has granted the Cumberland County Municipal Authority, the Maxatawny Township Municipal Authority and the Wernersville Municipal Authority associated with Bonds listed in the table above, a parity security interest in their gross receipts and a parity first lien mortgage on substantially all of the Obligated Group's property and equipment.

The Obligated Group is also subject to certain financial and other restrictive covenants through a Loan and Agency Agreement with the conduit issuers of the outstanding bonds.

On December 22, 2021, the Corporation executed an Escrow Agreement with the Authority and Manufacturers and Traders Trust Company, as escrow agent, to provide for the legal defeasance and refunding of a portion of the Authority's Series A 2019 and Series 2015 Bonds. The Corporation paid $57,329,942 which was deposited in an escrow account to provide funds, together with interest to be earned, to pay the principal and interest on the 2015 Bonds through and including January 1, 2025, and the redemption price of the Refunded 2015 bonds on January 1, 2025, the date selected for redemption of the 2015 bonds, and to pay the interest through and including January 1, 2029, and the redemption price of the Refunded Series A 2019 bonds on January 1, 2029, the date selected for redemption of the Series A 2019 Bonds.

On August 16, 2022, the Corporation executed two Escrow Agreements, one with Cumberland County Municipal Authority and Manufacturers and Traders Trust Company, as escrow agent, to provide for the legal defeasance and refunding of a portion of the Authority's Series 2019A Bonds. The Corporation paid $10,914,671 which was deposited in an escrow account to provide funds, together with interest to be earned, to pay the principal and interest on all outstanding Refunded Series A 2019 bonds on January 1, 2029, the date selected for redemption of the Series A 2019 bonds.

The 2nd Escrow Agreement was with the County Commissioners of Washington County and Manufacturers and Traders Trust Company, as escrow agent, to provide for the legal defeasance and refunding of the Series B 2019 Bonds. The Corporation paid $13,047,192 which was deposited in an escrow account to provide funds, together with interest to be earned, to pay the principal and interest on all outstanding Series B 2019 bonds through and including January 1, 2029, and to pay on January 1, 2029, the date selected for redemption of the Series B 2019 bonds, the redemption price of the callable Series B 2019 bonds.

The following is a summary of scheduled annual maturities of long-term debt as of December 31, 2022:

	Scheduled Maturities
Years ending December 31:	
2023	$ 4,611,812
2024	4,805,479
2025	5,027,400
2026	5,251,581
2027	5,487,032
Thereafter	116,878,939
	$ 142,062,243

The amount of cash paid for interest (including the net cost of the interest rate swap agreement and letter of credit support fees) was $6,510,855 and $9,605,094 for the years ended December 31, 2022 and 2021, respectively. There was capitalized interest of $360,935 in 2022 and no interest was capitalized in 2021.

The effective interest rates paid for the years ended December 31 are as follows:

	2022	2021
DLSM Obligated Group	4.11 %	4.16 %
Obligations outside the Obligated Group	3.17	3.63
Combined	3.99	4.12

7. Lines and Letters of Credit

DLSM has a line of credit with Manufacturers and Traders Trust Company (M&T) with maximum allowable borrowings of $20,000,000, which is payable on demand. The line of credit bears interest at 30-day LIBOR plus 2.75% (6.72% as of December 31, 2022). Amounts ranging from $0 to $4,862,000 were outstanding on the line of credit for various periods during 2022 and 2021. There were no outstanding borrowings on the line of credit as of December 31, 2022. Outstanding borrowings on the line of credit totaled $451,747 as of December 31, 2021. The bank line of credit is secured on a parity basis with the Obligated Group's outstanding bonds. In addition to the lines of credit, DLSM had unused letters of credit with financial institutions that are related to construction projects and required by local ordinances. The available and unused amounts of the letters of credit approximated $3,214,693 and $2,364,000 for the years ended December 31, 2022 and 2021, respectively.

In 2014, DCFCM entered a line of credit agreement with M&T with maximum allowable borrowings of $3,000,000, which is payable on demand. The line of credit bears interest at 30-day LIBOR plus 2.35% (6.31% as of December 31, 2022). There were no amounts outstanding or borrowed on the line of credit during 2022 and 2021, respectively.

8. Fair Value

Financial Instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Corporation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Corporation based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Accounts receivable, estimated third-party payor settlements, prepaid expenses and other assets, accounts payable and accrued expenses, deposits, and lines of credit - The carrying amounts, at face value or cost-plus accrued interest, approximate fair value because of the short maturity of these instruments.

Investments and assets limited as to use - These assets are carried at fair value, which is based primarily on quoted market prices at the reporting date. When quoted market prices in active markets are not available, the Corporation relies on a pricing service to estimate fair value. The fair value of mutual fund holdings is based on the net asset value as reported by the fund.

Funds held in trust by others and beneficial interest in trust - These assets are carried at fair value, which is based on quoted market prices for the underlying securities held by the trusts multiplied by the Corporation's percentage interest in the trusts. Currently there are no markets in which these trusts trade, therefore these assets are measured using Level 3 inputs.

Interest rate swap agreement asset (liability) - Swap agreements are classified as over the counter derivative instruments that are measured at fair valued using Level 2 inputs by third-party specialists. The valuations used by the specialists considered observable market inputs such as relevant yield curves, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect both the Corporation's non-performance risk and the respective counterparty's non-performance risk. These adjustments are determined generally by applying a credit spread for the counterparty as appropriate to the total expected exposure of the derivative.

The Corporation determines fair value measurements using the fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

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

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

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

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets and liabilities that are measured at fair value on a recurring basis as of December 31:

	Fair Value Measurements as of December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments and assets limited as to use:				
Cash and short-term investments**				$ 46,900,890
Fixed income funds:				
Short-term	$ 21,656,883	$ -	$ -	21,656,883
Immediate term	44,775,277	-	-	44,775,277
Equity funds:				
International	36,996,123	-	-	36,996,123
Large cap	47,267,773	-	-	47,267,773
Small cap	6,635,668	-	-	6,635,668
Funds held in trust by others and beneficial interest in trust	-	-	34,516,826	34,516,826
Total assets	$ 157,331,724	$ -	$ 34,516,826	$ 238,749,440
Asset (Liability):				
Interest rate swap agreement	$ -	$ 70,410	$ -	$ 70,410

	Fair Value Measurements as of December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets:				
Investments and assets limited as to use:				
Cash and short-term investments**				$ 30,406,139
Fixed income funds:				
Short-term	$ 22,245,000	$ -	$ -	22,245,000
Immediate term	49,979,025	-	-	49,979,025
Equity funds:				
International	47,614,114	-	-	47,614,114
Large cap	60,557,756	-	-	60,557,756
Small cap	7,456,216	-	-	7,456,216
Funds held in trust by others and beneficial interest in trust	-	-	43,394,004	43,394,004
Total assets	$ 187,852,111	$ -	$ 43,394,004	$ 261,652,254
Asset (Liability):				
Interest rate swap agreement	$ -	$ (696,575)	$ -	$ (696,575)

** Cash and short-term investments are included in the above tables to reconcile the total investments, assets limited as to use, and statutory minimum liquid reserves reported on the consolidated balance sheets.

The changes in funds held in trust by others and beneficial interest in trust measured at fair value as a Level 3 asset is summarized as follows for the years ending December 31:

	2022	**2021**
Balance, beginning of year	$ 43,394,004	$ 40,298,659
Change in valuation	(8,877,178)	3,095,345
Balance, end of year	$ 34,516,826	$ 43,394,004

9. Derivative Instruments

On October 18, 2018, the Obligated Group executed a floating-to-fixed interest rate swap relating to the Series 2018 Bond consisting of a $8,326,000 notional transaction with BB&T. The purpose of the swap is to assist the Obligated Group in managing interest rate risk or interest cost relative to the Series 2018 Bond. The swap was structured with the Obligated Group receiving payments on a floating leg equal to 79% of LIBOR plus a fixed spread equal to 0.95% on the outstanding notional amount of the swap to be paid semi-annually and the Obligated Group making payments on a fixed leg equal to 3.63% on the outstanding notional amount of the swap also semi-annually. The term of the swap is October 18, 2018, to October 1, 2030.

The swap agreement is considered a highly effective cash flow hedge, as a result the gains or (losses) on the swap are reported as a component of other changes in the consolidated statements of operations and changes in net assets for the years ended December 31, 2022 and 2021. The net cash paid or received under the swap agreement is recognized as an adjustment to interest expense.

10. Pension Benefits

The Corporation has a noncontributory defined benefit pension plan covering certain employees upon their retirement. On August 17, 2011, the Corporation amended the pension plan to freeze benefit accruals, effective December 31, 2011, and to freeze participation with respect to new participants, effective January 2, 2012. The benefits are based on years of service and the employee's compensation. The measurement date used for the defined benefit plan is December 31.

Actuarial gains and losses are amortized subject to a corridor, over the average remaining life of the Corporation's active employees.

The following table sets forth the pension benefit obligation, fair value of plan assets, and funded status as of December 31:

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 103,347,436	$ 110,035,583
Interest cost	2,600,304	2,365,731
Change in assumptions	(21,285,155)	(4,532,686)
Actuarial loss	219,263	581,686
Benefit payments	(5,228,164)	(5,102,878)
Benefit obligation at end of year	79,653,684	103,347,436
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 66,563,064	$ 63,374,391
Actual return on plan assets, net of expenses	(6,477,846)	8,291,551
Benefit payments	(5,228,164)	(5,102,878)
Fair value of plan assets at end of year	54,857,054	66,563,064
Funded status	$ (24,796,630)	$ (36,784,372)

Amounts recognized in net assets without donor restrictions but not yet included in net periodic benefit costs as of December 31 consist of:

	2022	2021
Net actuarial loss	$ (28,659,795)	$ (40,243,889)

Other changes in plan assets and benefit obligations recognized directly in net assets without donor restrictions for the years ended December 31 are as follows:

	2022	2021
Net estimated gain, total recognized in net assets without donor restrictions	$ 11,584,094	$ 9,821,564

The net loss for the defined benefit pension plan that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is $985,449.

The following table summarizes the components of net periodic pension costs (benefit) recognized for the years ended December 31:

	2022	2021
Interest cost	$ 2,600,304	$ 2,365,731
Expected return on plan assets	(4,437,594)	(4,220,324)
Amortization of net loss	1,433,643	1,799,337
Net periodic pension costs (benefit), nonservice component	$ (403,647)	$ (55,256)
(Benefit) cost	$ (403,647)	$ (55,256)
Benefits paid	5,228,164	5,102,878

Weighted average assumptions used to determine benefit obligations as of December 31 were as follows:

	2022	2021
Discount rate	4.94 %	2.59 %

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

	2022	2021
Discount rate	2.59 %	2.20 %
Expected long-term rate of return on plan assets	7.00	7.00

The expected long-term rate of return is based on the expected sum of the returns on individual asset categories.

The Corporation's investment policies and strategies for the defined benefit pension plan use target allocations for the individual asset categories. The Corporation's investment goals are to generate returns that are sufficient to meet the plan's obligations while preserving capital. As part of this investment strategy, as of December 31, 2022 and 2021, the Corporation has invested approximately 30% and 25%, respectively, of the pension plan assets into alternative investments, including a special situations master feeder fund (7%), a core property real estate fund (14%), an energy debt fund (2%), and a vista collective investment trust (7%) as of December 31, 2022. The Corporation's risk management policies permit investments in such asset classes. The Corporation addresses diversification by the use of private mutual fund investments whose underlying investments are in domestic and international fixed income securities and domestic and international equity securities. These mutual funds are only available to institutional investors and are not traded on a public exchange; however, they can be sold to fund benefit payment obligations as they become payable without restriction.

The Corporation determines the fair value of the mutual funds based on quoted prices from the fund managers as of December 31. While these funds are not traded in active markets, there are no lock-ups or restrictions on redemptions related to mutual funds or the hedge fund of funds. The December 31 unit values reported by the fund managers approximate the exit price of the security.

The Corporation determines the fair value of alternative investments under the equity method of accounting using net asset value (NAV). The NAV of alternative investments is based on valuations provided by the administrators of the specific financial instrument. The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments. The underlying investments themselves are subject to various risks, including market, credit, liquidity, and foreign exchange risk. The Corporation believes the NAV is a reasonable estimate of its ownership interest in the alternative investments. The Corporation's risk of alternative investments is limited to its carrying value. Alternative investments can be divested only at specific times in accordance with terms of the subscription agreements. The alternative investments held as plan assets have their financial statements audited annually.

The fair value of the Corporation's plan assets as of December 31 by asset category are as follows:

	2022		2021	
Asset Category	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**
Cash and short-term investments:				
Equity funds:				
Large cap disciplined	$ 5,435,517	$ 5,435,517	$ 7,198,386	$ 7,198,386
Small/mid cap	1,928,729	1,928,729	2,587,161	2,587,161
World Equity Ex-U.S.	10,978,572	10,978,572	14,130,525	14,130,525
Extended market index fund	1,924,404	1,924,404	2,484,888	2,484,888
S&P 500 index fund	6,803,880	6,803,880	9,113,444	9,113,444
Emerging markets equity fund	1,503,154	1,503,154	1,915,336	1,915,336
Fixed income funds:				
High yield bond fund	1,960,998	1,960,998	2,604,341	2,604,341
Emerging markets debt fund	2,012,863	2,012,863	2,524,358	2,524,358
Core fixed income fund	5,953,027	5,953,027	7,754,024	7,754,024

	2022		2021	
Asset Category	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**
Plan assets valued at NAV:				
Core property collective investment trust	$ 7,871,692	$ -	$ 6,331,631	$ -
Special situations collective fund	4,036,836	-	4,191,903	-
Energy debt fund	744,018		2,571,161	-
Vista collective investment trust	3,703,364	-	3,155,906	-
Total	$ 54,857,054	$ 38,501,144	$ 66,563,064	$ 50,312,463

In accordance with authoritative guidance, alternative investments measured at fair value using the net asset value (NAV) practical expedient have not been classified in the fair value hierarchy as of December 31, 2022 or 2021. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the consolidated balance sheets.

	Plan Assets Measured at Fair Value Based on Net Asset Value (NAV) Per Share as of December 31, 2022			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Core property collective investment trust	$ 7,871,692	$ -	Daily	1 day
Special situations collective fund	4,036,836	-	Daily	1 day
Energy debt fund	744,020	-	Daily	1 day
Vista collective investment trust	3,703,264	-	Daily	1 day
Total	$ 16,355,812	$ -		

	Plan Assets Measured at Fair Value Based on Net Asset Value (NAV) Per Share as of December 31, 2021			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Core property collective investment trust	$ 6,331,631	$ -	Daily	1 day
Special situations collective fund	4,191,903	-	Daily	1 day
Energy debt fund	2,571,161	-	Daily	1 day
Vista collective investment trust	3,155,906	-	Daily	1 day
Total	$ 16,250,601	$ -		

The actual asset allocations of the Corporation's plan assets as of December 31 are as follows and approximate the target allocations:

Asset Category	2022	2021
Equity funds	52 %	56 %
Fixed income funds	18	19
Alternative investments	30	25
Total	100 %	100 %

The Corporation does not expect to make any contributions to its pension plan in 2023.

The estimated benefit payments, which reflect expected future service as of December 31, 2022, as appropriate, are as follows:

Years ending December 31:	
2023	$ 5,661,870
2024	5,705,126
2025	5,701,317
2026	5,688,100
2027	5,671,435
2028-2032	27,823,057

The Corporation also has a defined contribution plan for certain employees. Contributions recognized as expense for this plan were $225,642 and $370,795 for the years ended December 31, 2022 and 2021, respectively.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions carry the following time or purpose restrictions as of December 31:

	2022	2021
Subject to expenditure for specified purpose:		
Promises to give for DCFCM program activities	$ 21,760	$ 21,760
Capital projects for senior living services	533,228	909,699
Senior living services program activities	275,378	322,144
DCFCM program activities	222,608	306,671
Employee assistance and wellness	22,313	9,813
Chaplain activities	31,916	31,959
Other	84,263	36,559
	1,191,466	1,638,605
Subject to the passage of time:		
Charitable remainder trust	1,339,417	1,737,196
Charitable gift annuities	219,783	370,478
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	4,778	4,778
Life insurance gifts	189,636	189,637
	1,753,614	2,302,089

	2022	2021
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Support of specific SLS programs	$ 555,922	$ 650,672
Support of specific DCFCM programs	633,741	755,094
Promises to give for senior living benevolent care	2,687	2,687
Charitable gift annuities for senior living benevolent care	50,302	94,254
	1,242,652	1,502,707
Subject to endowment spending policy and appropriation:		
Senor living benevolent care and program activities	13,861,866	16,421,442
Program activities for a specific senior living campus	4,662,037	5,738,547
DCFCM program activities	2,458,395	3,023,923
Employee tuition assistance	633,913	787,241
Scholarships	1,623,515	1,992,366
As defined by donor	149,871	155,521
	23,389,597	28,119,040
Funds held in trust by others:		
Subject to appropriation and expenditure when a specified event occurs:		
Staff and resident programs	150,654	190,273
General use	33,026,756	41,466,537
	33,177,410	41,656,810
Total net assets with donor restrictions	$ 60,754,739	$ 75,219,251

The Corporation has interpreted the laws of the Commonwealth of Pennsylvania as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the laws of the Commonwealth of Pennsylvania. In accordance with the laws of the Commonwealth of Pennsylvania, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the laws of the Commonwealth of Pennsylvania require the Corporation to retain as a fund of perpetual duration. No such deficiencies of this nature are reported in net assets without donor restrictions as of December 31, 2022 or 2021. The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets in relation to inflation trends. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity.

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

12. Medical Malpractice Claims Coverage and Self Insurance

On January 1, 2020, the Corporation entered into a risk retention group captive insurance arrangement for general and professional liability coverage on a claims-made basis. Management has evaluated claims incurred but not reported and has recorded a liability for claims incurred but not reported (IBNR) of $500,000 as of December 31, 2022 and 2021. The Corporation believes it has adequate insurance coverage or reserves for all asserted claims and unasserted claims.

The Corporation participates in a self-insured program for its workers' compensation insurance. In the case of catastrophes or other events that would cause excessive workers' compensation claims, the Corporation is reinsured for losses in excess of $800,000 per occurrence as of December 31, 2022 and 2021. Workers' compensation costs are accrued based upon an estimated liability for reported claims and an estimated liability for claims incurred but not reported and approximated $1,498,000 and $2,381,000 as of December 31, 2022 and 2021, respectively, and are reported within accounts payable and accrued expenses and other long-term liabilities captions on the consolidated balance sheets. In addition, the Corporation maintains a $1,900,000 surety bond to secure future obligations under the terms of this self-insured program.

The Corporation participates in a self-funded employee health insurance plan with a stop loss contract in place for catastrophic claims. Total health benefit accrued expenses approximated $433,000 and $887,000 as of December 31, 2022 and 2021, respectively, and are reported within the accounts payable and accrued expenses caption on the consolidated balance sheets.

13. Liquidity

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

	2022	2021
Cash and cash equivalents	$ 9,261,958	$ 10,138,935
Accounts receivable:		
Patients and residents	7,069,824	7,329,091
Statewide Adoption and Permanency Network	12,126,420	5,057,853
Other client services	4,354,057	4,206,633
Estimated third-party payor settlements	439,044	687,863
Investments	139,481,360	165,369,018
Total	$ 172,732,663	$ 192,789,393

The Corporation's investments are not limited by specific board designations regarding use; however, the Corporation has an investment policy which establishes the goals for the investment portfolio, investment selection guidelines and limitations, and portfolio allocation ranges by investment category. The Corporation has assigned investment policy oversight and governance responsibilities for all investments of the Corporation to the DLF board of directors. The DLF board meets regularly with management and a third-party investment advisor to review investment performance, security selection, and discuss changes in investment strategy. The Corporation places a certain amount of reliance on investment income and dividend distributions from the investment portfolio to support its operating liquidity needs; accordingly, the Corporation periodically transfers such amounts from the investment portfolio to its operating cash. To the extent accumulated income and dividend distributions are in excess of the amount needed for operations, such amounts are redeployed in the investment portfolio in accordance with the investment policy guidelines.

Cash balances are monitored regularly by management to ensure appropriate liquidity to cover general expenditures, and the Corporation maintains two lines of credit with M&T Bank as described in Note 7 to manage short-term changes in cash flow. The aggregate amount available to be drawn on the lines of credit were $23,000,000 and $22,548,253 for the years ended December 31, 2022 and 2021, respectively.

14. Functional Expenses

The Corporation's cost of providing program services and supporting activities has been summarized on a functional basis in the tables on the following page. Program service costs include direct costs to provide services in accordance with the defined mission. Supporting activities include fundraising costs and management and other costs to administer and support the program activities. The administrative costs included in the program activities section include marketing, insurance, travel, postage, lease costs, and other costs that directly impact the program services. Benefit costs are allocated to the programs and supporting activities based on various factors including salary, benefit elections, and employee count. Other expenses are directly attributable to a specific functional activity. Expenses by functional and natural classification for the years ended December 31 are as follows:

	Year Ended December 31, 2022									
	Program Activities						Supporting Activities			
	Senior Living Services	Diakon Child, Family and Community Ministries	Housing and Urban Development	Statewide Adoption and Permanency Network	Diakon Medical Group	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	Total Expenses
Salaries, benefits and staff costs	$ 36,593,274	$ 14,185,174	$ 828,874	$ 1,219,387	$ -	$ 52,826,709	$ 6,051,381	$ 19,979	$ 6,071,360	$ 58,898,069
Utilities	2,853,532	463,291	502,374	243,126	-	4,062,323	1,074,289	405	1,074,694	5,137,017
Maintenance and repairs	3,199,826	446,939	232,998	258,352	1,286	4,139,401	1,830,217	26,040	1,856,257	5,995,658
Contracted costs	15,418,899	926,099	22,764	67,691,064	-	84,058,826	2,480,644	2,083	2,482,727	86,541,553
Program costs	3,099,576	3,801,899	3,502	225,048	-	7,130,025	17,404	-	17,404	7,147,429
Administrative costs	4,693,971	2,195,115	664,346	1,106,729	8,552	8,668,713	1,372,861	28,887	1,401,748	10,070,461
Management fee	-	-	-	-	-	-	2,226,308	-	2,226,308	2,226,308
Nursing home assessment	703,364	-	-	-	-	703,364	-	-	-	703,364
Interest	4,802,068	4,165	371,663	-	-	5,177,896	177,827	-	177,827	5,355,723
Depreciation and amortization	11,529,854	220,863	705,733	-	-	12,456,450	1,512,403	-	1,512,403	13,968,853
Total expenses	$ 82,894,364	$ 22,243,545	$ 3,332,254	$ 70,743,706	$ 9,838	$ 179,223,707	$ 16,743,334	$ 77,394	$ 16,820,728	$ 196,044,435

	Year Ended December 31, 2021									
	Program Activities						Supporting Activities			
	Senior Living Services	Diakon Child, Family and Community Ministries	Housing and Urban Development	Statewide Adoption and Permanency Network	Diakon Medical Group	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	Total Expenses
Salaries, benefits and staff costs	$ 54,155,348	$ 13,300,744	$ 691,484	$ 1,136,306	$ 598,224	$ 69,882,106	$ 8,816,637	$ 240,808	$ 9,057,445	$ 78,939,551
Utilities	4,407,123	472,235	506,036	233,343	7,594	5,626,331	1,059,763	1,649	1,061,412	6,687,743
Maintenance and repairs	4,922,311	122,778	249,172	329,310	2,591	5,626,162	2,076,451	32,542	2,108,993	7,735,155
Contracted costs	26,873,169	846,319	8,345	66,888,071	3,052	94,618,956	2,110,771	7,478	2,118,249	96,737,205
Program costs	5,109,788	3,973,641	10,995	13,435	-	9,107,859	9,990	-	9,990	9,117,849
Administrative costs	5,369,732	2,090,442	554,624	653,773	48,695	8,717,266	1,105,855	35,970	1,141,825	9,859,091
Management fee	-	-	-	-	-	-	2,247,183	-	2,247,183	2,247,183
Nursing home assessment	883,773	-	-	-	-	883,773	-	-	-	883,773
Interest	7,573,032	5,923	462,144	-	289	8,041,388	186,761	-	186,761	8,228,149
Depreciation and amortization	14,990,893	281,883	737,677	-	6,804	16,017,257	1,412,515	-	1,412,515	17,429,772
Total expenses	$ 124,285,169	$ 21,093,965	$ 3,220,477	$ 69,254,238	$ 667,249	$ 218,521,098	$ 19,025,926	$ 318,447	$ 19,344,373	$ 237,865,471

15. Commitments and Contingencies

The Corporation has entered into various construction contracts related to campus renovation and or expansion activities at certain senior living communities. Contractual commitments as of December 31, 2022, totaled approximately $38,146,000.

From time to time, the Corporation is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's consolidated financial position or results of operations.

16. COVID-19 Pandemic

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. The pandemic has significantly impacted both the world and U.S. economies. Since March 2020, many state and local governments, in addition to the federal government, reacted to the public health crisis, creating significant uncertainties in the U.S. economy.

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 Corporation, 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, 2022 and 2021, the Corporation received $0 and $1,899,553, respectively, in funding through the HHS PRF program established by the CARES Act. 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 expenditures is reported in provider relief, paycheck protection program, and other funds on the consolidated balance sheets. Based on the Corporation's calculation of lost revenue and COVID-19 expenses, the Corporation has recognized $1,427,946 and $4,267,798 as federal award revenue during the years ended December 31, 2022 and 2021, respectively, which is reported in contract revenue on the consolidated statements of operations and changes in net assets, while $0 and $1,427,946 are reported within provider relief, paycheck protection program, and other funds on the consolidated balance sheets as of December 31, 2022 and 2021, respectively.

Pennsylvania Office of Long-Term Living, Coronavirus Relief Fund Awards: During the year ended December 31, 2021, the Corporation was awarded $2,305,315 in CARES Act funding for the Pennsylvania programs through the Office of Long-Term Living to benefit nursing facilities, licensed personal care homes, and licensed assisted living residences. According to guidance provided by federal and state governments, 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 federal and state governments, when spending the funds. If the health care provider is unable to justify utilization of the funds through COVID-19 expenses, the funds must be returned to the Pennsylvania State Treasury. Based on the Corporation's calculation of lost revenue and COVID-19 expenses, the Corporation utilized a portion of the funding awarded from Pennsylvania and has recognized $1,501,706 as award revenue during the year ended December 31, 2021, while $803,609 is reported as a liability in provider relief, paycheck protection program, and other funds. During the year ended December 31, 2022, the Corporation received $798,351 of funding from the Pennsylvania Office of Long-Term Living under the American Rescue Plan Act. The Corporation recognized $278,917 ($216,500 -2021 funding, $62,417 - 2022 funding) of these funds which is reported in contract revenue on the statement of operations and changes in net assets, while $1,322,165 is reported within provider relief, paycheck protection program, and other funds on the consolidated balance sheet as of December 31, 2022.

Paycheck Protection Program Loan: The Corporation obtained a loan in June 2021 for DLSM in the amount of $8,484,432 and two loans totaling $2,905,785 in April and May 2020 ($2,690,790 for DCFCM and $214,995 for DMG) under the Paycheck Protection Program pursuant to the CARES Act. The Corporation elected to account for the PPP loan relative to DLSM as a current liability in provider relief, paycheck protection program, and other funds on the consolidated balance sheets as of December 31, 2021. The proceeds from the loans must 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 Corporation selected the twenty-four-week covered period as allowed under the CARES Act. The Corporation has endeavored to use the loan proceeds in accordance with the terms of the PPP and has fully expended funds on qualifying expenses. The DCFCM and DMG loans were forgiven by the federal Small Business Administration in June 2021 and the Corporation recognized $2,905,785 in contract revenue on the statement of operations and changes in net assets for the year ended December 31, 2021. The DLSM loan was forgiven on January 21, 2022 and the Corporation recognized $8,484,432 in contract revenue on the statement of operations and changes in net assets for the year ended December 31, 2022.

The Corporation received Medicare Advance Payments (advance payments) totaling $3,181,397 in April 2020 from the CMS to alleviate the financial burden health care providers faced in the early stages of combating COVID-19. Mandatory repayment of unreturned advance payments began one year after the first payment was received by recouping a percent of the Corporation's claims over a 17-month period. Any unpaid advance payments that remain 29 months after the first payment was received will be subject to interest. The Medicare advance payments are included in estimated third-party payor settlements as a liability as of December 31, 2021 and were fully paid during calendar year 2022.

17. Subsequent Events

The Corporation has evaluated subsequent events through the April 27, 2023, the date the consolidated financial statements were issued, and determined there were no additional subsequent events requiring disclosure or adjustment to the consolidated financial statements.

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Balance Sheet
December 31, 2022

	DLSM Obligated Group	Nonobligated Group: Diakon Lutheran Fund	Nonobligated Group: Diakon Child, Family & Community Ministries	Nonobligated Group: Old Main LLC	Nonobligated Group: Other	Elimination Entries	Total
Assets							
Current assets:							
Cash and cash equivalents	$ 4,075,647	$ -	$ 3,121,367	$ -	$ 2,064,944	$ -	$ 9,261,958
Assets limited as to use	11,065,998	-	-	-	-	-	11,065,998
Accounts receivable, net:							
Patients and residents	7,067,858	-	2,643	-	(677)	-	7,069,824
Statewide Adoption and Permanency Network	-	-	-	-	12,126,420	-	12,126,420
Other client services	3,644,702	-	4,396,363	-	1,566	(3,688,574)	4,354,057
Intercompany	6,606,108	(252,048)	(977,664)	(221,129)	(5,155,267)	-	-
Estimated third-party payor settlements	447,335	-	(3,042)	-	(5,249)	-	439,044
Prepaid expenses and other assets	2,893,292	77,044	46,354	-	198,024	-	3,214,714
Total current assets	35,800,940	(175,004)	6,586,021	(221,129)	9,229,761	(3,688,574)	47,532,015
Investments	112,644,781	18,723,613	6,847,371	-	1,265,595	-	139,481,360
Assets limited as to use, less current portion:							
Statutory minimum liquid reserves	5,523,908	-	-	-	-	-	5,523,908
Other	39,096,542	2,907,725	3,278,499	-	2,878,582	-	48,161,348
Investment in joint venture	1,417,665	-	-	-	-	-	1,417,665
Land, buildings and equipment, net	127,643,353	-	1,207,617	4,300,422	3,854,510	-	137,005,902
Finance lease right-of-use assets, net	563,714	-	82,898	-	69,296	-	715,908
Operating lease right-of-use assets	1,118,400	-	661,635	-	114,268	-	1,894,303
Other assets:							
Receivables from charitable gift annuities	270,085	-	-	-	-	-	270,085
Funds held in trust by others and beneficial interest in trust	25,987,871	8,528,955	-	-	-	-	34,516,826
Swap agreement	70,410	-	-	-	-	-	70,410
Other assets	850,119	-	-	-	-	-	850,119
Total assets	$ 350,987,788	$ 29,985,289	$ 18,664,041	$ 4,079,293	$ 17,412,012	$ (3,688,574)	$ 417,439,849

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Balance Sheet
December 31, 2022

	DLSM Obligated Group	Nonobligated Group: Diakon Lutheran Fund	Nonobligated Group: Diakon Child, Family & Community Ministries	Nonobligated Group: Old Main LLC	Nonobligated Group: Other	Elimination Entries	Total
Liabilities and Net Assets							
Current liabilities:							
Accounts payable and accrued expenses	$ 14,068,601	$ -	$ 893,523	$ -	$ 13,754,726	$ (3,688,574)	$ 25,028,276
Provider relief, paycheck protection program, and other funds	1,322,166	-	1,432,392	-	-	-	2,754,558
Deposits, patients and residents	278,163	-	-	-	126,755	-	404,918
Estimated third-party payor settlements	449,253	-	48,994	-	-	-	498,247
Current finance lease liabilities	172,256	-	40,412	-	19,271	-	231,939
Current operating lease liabilities	489,436	-	127,210	-	191,758	-	808,404
Current maturities of long-term debt	4,032,000	-	-	208,744	371,068	-	4,611,812
Total current liabilities	20,811,875	-	2,542,531	208,744	14,463,578	(3,688,574)	34,338,154
Pension liability	24,796,630	-	-	-	-	-	24,796,630
Deferred revenue, entrance fee agreements	57,255,785	-	-	-	-	-	57,255,785
Refundable entrance fee liability	17,395,567	-	-	-	-	-	17,395,567
Other long-term liabilities	1,341,681	-	-	-	4,120	-	1,345,801
Long-term financing lease liabilities	371,900	-	42,309	-	44,801	-	459,010
Long-term operating lease liabilities	711,326	-	534,982	-	(77,489)	-	1,168,819
Long-term debt, less current maturities and debt issuance costs	123,639,761	-	-	4,203,495	11,386,850	-	139,230,106
Total liabilities	246,324,525	-	3,119,822	4,412,239	25,821,860	(3,688,574)	275,989,872
Net assets (deficit):							
Without donor restrictions	58,239,680	18,487,951	12,857,138	(332,946)	(8,556,585)	-	80,695,238
With donor restrictions	46,423,583	11,497,338	2,687,081	-	146,737	-	60,754,739
Total net assets (deficit)	104,663,263	29,985,289	15,544,219	(332,946)	(8,409,848)	-	141,449,977
Total liabilities and net assets (deficit)	$ 350,987,788	$ 29,985,289	$ 18,664,041	$ 4,079,293	$ 17,412,012	$ (3,688,574)	$ 417,439,849

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Statement of Operations and Changes in Net Assets (Deficit)
Year ended December 31, 2022

	DLSM Obligated Group	Nonobligated Group: Diakon Lutheran Fund	Nonobligated Group: Diakon Child, Family & Community Ministries	Nonobligated Group: Old Main LLC	Nonobligated Group: Other	Subtotal	Elimination Entries	Total
Operating revenues, gains and other support:								
Patient and resident service revenue, net	$ 72,391,522	$ -	$ -	$ -	$ (419,169)	$ 71,972,353	$ -	$ 71,972,353
Patient and resident service revenue, nursing home assessment	1,940,000	-	-	-	-	1,940,000	-	1,940,000
Amortization of entrance fees	8,178,596	-	-	-	-	8,178,596	-	8,178,596
Contract revenue	10,079,987	-	16,290,636	-	1,914,167	28,284,790	(712,140)	27,572,650
Grants from affiliates	1,064,400	-	286,353	423,482	-	1,774,235	(1,774,235)	-
Other fees and services	5,384,802	-	9,387,224	16,050	1,646,109	16,434,185	(4,081,650)	12,352,535
Statewide Adoption and Permanency Network revenue	-	-	-	-	73,899,267	73,899,267	-	73,899,267
Investment income, net of expenses	3,658,448	499,313	113,409	-	95,443	4,366,613	(514,982)	3,851,631
Income from trusts	1,386,793	346,733	-	-	-	1,733,526	-	1,733,526
Contributions and bequests	1,263,332	10,309	128,203	-	543	1,402,387	-	1,402,387
Net assets released from restrictions, operations	1,103,540	120,199	245,239	-	22,986	1,491,964	-	1,491,964
Gain on disposal of assets	13,246,387	-	-	-	8,715,989	21,962,376	(1,584,433)	20,377,943
Gain on insurance proceeds	18,188	-	-	-	-	18,188	-	18,188
Total operating revenues, gains and other support	119,715,995	976,554	26,451,064	439,532	85,875,335	233,458,480	(8,667,440)	224,791,040
Expenses								
Salaries and wages	26,982,738	-	10,672,631	-	1,522,996	39,178,365	-	39,178,365
Employee benefits	5,941,045	-	3,293,855	-	373,307	9,608,207	-	9,608,207
Other expenses	46,961,047	1,413,753	10,552,036	66,730	1,950,097	60,943,663	(5,660,238)	55,283,425
Other expenses, Statewide Adoption and Permanency Network	-	-	-	-	72,854,302	72,854,302	(907,804)	71,946,498
Nursing home assessment	703,364	-	-	-	-	703,364	-	703,364
Interest	4,802,069	-	4,165	177,827	985,561	5,969,622	(613,899)	5,355,723
Depreciation and amortization	12,805,395	-	220,863	215,296	1,137,385	14,378,939	(410,086)	13,968,853
Total expenses	98,195,658	1,413,753	24,743,550	459,853	78,823,648	203,636,462	(7,592,027)	196,044,435
Operating income (loss)	21,520,337	(437,199)	1,707,514	(20,321)	7,051,687	29,822,018	(1,075,413)	28,746,605
Non-operating income (loss):								
Net periodic pension benefit, non-service component	264,551	-	131,612	-	7,484	403,647	-	403,647
Equity gains in joint venture	88,383	-	-	-	-	88,383	-	88,383
Unrealized losses on investments	(21,267,673)	(3,932,586)	(527,497)	-	(804,779)	(26,532,535)	-	(26,532,535)
Loss from early extinguishment of debt	(865,823)	-	-	-	-	(865,823)	-	(865,823)
Total non-operating income (loss)	(21,780,562)	(3,932,586)	(395,885)	-	(797,295)	(26,906,328)	-	(26,906,328)
Excess (deficit) of operating revenues, gains and other support over expenses	(260,225)	(4,369,785)	1,311,629	(20,321)	6,254,392	2,915,690	(1,075,413)	1,840,277
Other changes:								
Pension-related changes other than net periodic pension benefit	11,584,094	-	-	-	-	11,584,094	-	11,584,094
Increase in fair value of swap agreement	766,985	-	-	-	-	766,985	-	766,985
Net assets released from restrictions, capital	372,344	-	-	-	-	372,344	-	372,344
Total other changes	12,723,423	-	-	-	-	12,723,423	-	12,723,423
Increase (decrease) in net assets (deficit) without donor restrictions	$ 12,463,198	$ (4,369,785)	$ 1,311,629	$ (20,321)	$ 6,254,392	$ 15,639,113	$ (1,075,413)	$ 14,563,700

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2022

		Nonobligated Group						
	DLSM Obligated Group	Diakon Lutheran Fund	Diakon Child, Family & Community Ministries	Old Main LLC	Other	Subtotal	Elimination Entries	Total
Net assets with donor restrictions:								
Contributions and bequests	$ 411,286	$ 1,199	$ 29,909	$ -	$ 156	$ 442,550	$ -	$ 442,550
Investment income, net of expenses	486,027	75,782	63,640	-	5,593	631,042	-	631,042
Unrealized losses on investments	(3,689,761)	(577,373)	(494,118)	-	(42,606)	(4,803,858)	-	(4,803,858)
Net assets released from restrictions, operations	(1,103,540)	(120,199)	(245,239)	-	(22,986)	(1,491,964)	-	(1,491,964)
Net assets released from restrictions, capital	(372,344)	-	-	-	-	(372,344)	-	(372,344)
Change in beneficial interest in trust	(397,779)	-	-	-	-	(397,779)	-	(397,779)
Decrease in fair value of funds held in trust by others	(6,398,570)	(2,073,589)	-	-	-	(8,472,159)	-	(8,472,159)
Decrease in net assets with donor restrictions	(11,064,681)	(2,694,180)	(645,808)	-	(59,843)	(14,464,512)	-	(14,464,512)
Increase (decrease) in net assets (deficit)	1,398,517	(7,063,965)	665,821	(20,321)	6,194,549	1,174,601	(1,075,413)	99,188
Net assets (deficit), beginning	103,264,746	37,049,254	14,878,398	(312,625)	(14,604,397)	140,275,376	1,075,413	141,350,789
Net assets (deficit), ending	$ 104,663,263	$ 29,985,289	$ 15,544,219	$ (332,946)	$ (8,409,848)	$ 141,449,977	$ -	$ 141,449,977

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Statement of Cash Flows
Year Ended December 31, 2022

	DLSM Obligated Group	Nonobligated Group Diakon Lutheran Fund	Diakon Child, Family & Community Ministries	Old Main LLC	Other	Elimination Entries	Total
Cash flows from operating activities:							
Increase (decrease) in net assets (deficit)	$ 1,398,517	$ (7,063,965)	$ 665,821	$ (20,321)	$ 6,194,549	$ (1,075,413)	$ 99,188
Adjustments to reconcile increase (decrease) in net assets (deficit) to net cash provided by (used in) operating activities:							
Net realized gains on investments	(660)	-	(684)	-	-	-	(1,344)
Net unrealized losses on investments	24,957,434	4,509,959	1,021,615	-	847,385	-	31,336,393
Depreciation and amortization	12,805,395	-	220,863	215,296	1,137,385	(410,086)	13,968,853
Amortization of debt issuance costs	151,937	-	-	9,182	34,356	-	195,475
Decrease in pension liability	(11,987,742)	-	-	-	-	-	(11,987,742)
Amortization of bond premium	(712,585)	-	-	-	-	-	(712,585)
Amortization of entrance fees	(8,178,596)	-	-	-	-	-	(8,178,596)
Proceeds from entrance fees	14,465,289	-	-	-	-	-	14,465,289
Change in funds held in trust by others and beneficial interest in trust	6,796,349	2,073,589	-	-	-	-	8,869,938
Gain on fair value of swap agreement	(766,985)	-	-	-	-	-	(766,985)
Equity in gains of joint ventures	(88,383)	-	-	-	-	-	(88,383)
Gains on disposal of assets	(13,246,387)	-	-	-	(8,715,989)	1,584,433	(20,377,943)
Loss from early extinguishment of debt	865,823	-	-	-	-	-	865,823
Variable lease adjustments	(6,979)	-	-	-	-	(17)	(6,996)
Changes in assets and liabilities:							
Accounts receivable and estimated third-party payor settlements	2,038,850	92,353	(2,363,666)	4,585	(10,602,176)	2,659,770	(8,170,284)
Prepaid expenses and other current assets	(116,092)	(34,923)	(6,279)	-	(21,560)	-	(178,854)
Operating lease right-of-use assets	432,665	-	(455,932)	-	14,289	-	(8,978)
Other assets	(192,631)	-	-	-	-	-	(192,631)
Accounts payable, accrued expenses, and other liabilities	(10,500,793)	-	1,112,390	-	7,298,709	(3,038,284)	(5,127,978)
Deposits, patients and residents	(70,304)	-	-	-	2,999	-	(67,305)
Operating lease liabilities	(452,302)	-	456,223	-	(14,161)	-	(10,240)
Net cash provided by (used in) operating activities	17,591,820	(422,987)	650,351	208,742	(3,824,214)	(279,597)	13,924,115
Cash flows from investing activities:							
Purchases of investments and assets limited as to use	(19,666,361)	(1,059,917)	(4,763,358)	-	(829,746)	-	(26,319,382)
Proceeds from sales of investments and assets limited as to use	20,724,199	1,414,481	592,471	-	4,527,977	-	27,259,128
Contributions and charitable gift/remainder trusts	194,648	7,240	-	-	-	-	201,888
Purchase of property and equipment	(13,886,156)	-	(128,823)	1	(206,648)	-	(14,221,626)
Proceeds from sale of property and equipment	24,447,484	-	-	-	(22,224)	-	24,425,260
Acquisition of leased property and equipment	(4,048)	-	-	-	(275,549)	279,597	-
Net cash provided by (used in) investing activities	$ 11,809,766	$ 361,804	$ (4,299,710)	$ 1	$ 3,193,810	$ 279,597	$ 11,345,268

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Statement of Cash Flows
Year Ended December 31, 2022

	DLSM Obligated Group	Nonobligated Group: Diakon Lutheran Fund	Nonobligated Group: Diakon Child, Family & Community Ministries	Nonobligated Group: Old Main LLC	Nonobligated Group: Other	Elimination Entries	Total
Cash flows from financing activities:							
Payment of long-term debt	$ (6,171,000)	$ -	$ -	$ (208,743)	$ (361,648)	$ -	$ (6,741,391)
Proceeds from issuance of long-term debt	27,014,532	-	-	-	-	-	27,014,532
Payment of deferred debt issuance costs	(753,598)	-	-	-	-	-	(753,598)
Bond refunding	(23,837,190)	-	-	-	-	-	(23,837,190)
Principal payments under finance lease obligations	(209,279)	-	(41,716)	-	(22,704)	-	(273,699)
Net payments on lines of credit	(451,747)	-	-	-	-	-	(451,747)
Proceeds from entrance fees	1,716,175	-	-	-	-	-	1,716,175
Refunds of entrance fees	(4,570,283)	-	-	-	-	-	(4,570,283)
Net cash used in financing activities	(7,262,390)	-	(41,716)	(208,743)	(384,352)	-	(7,897,201)
Net increase (decrease) in cash, cash equivalents and restricted cash	22,139,196	(61,183)	(3,691,075)	-	(1,014,756)	-	17,372,182
Cash, cash equivalents and restricted cash, beginning	15,321,883	302,949	7,586,094	-	5,771,081	-	28,982,007
Cash, cash equivalents and restricted cash, ending	$ 37,461,079	$ 241,766	$ 3,895,019	$ -	$ 4,756,325	$ -	$ 46,354,189
Reconciliation of cash, cash equivalents and restricted cash amounts included in these lines on the schedule of consolidating information, balance sheet							
Current assets:							
Cash and cash equivalents	$ 4,075,647	$ -	$ 3,121,367	$ -	$ 2,064,944	$ -	$ 9,261,958
Assets limited as to use	11,065,998	-	-	-	-	-	11,065,998
Assets limited to use, less current portion;							
Other	22,319,434	241,766	773,652	-	2,691,381	-	26,026,233
Total cash, cash equivalents and restricted cash	$ 37,461,079	$ 241,766	$ 3,895,019	$ -	$ 4,756,325	$ -	$ 46,354,189

Diakon and Controlled Affiliates

Statutory Minimum Liquid Reserve
December 31, 2022

2023 Budgeted Operating Expenses (All Diakon Facilities that offer a continuum of care)	$ 99,492,253	
Less depreciation expense	12,608,298	
Expenses subject to minimum liquid reserve requirement	86,883,955	
Percentage (%) of residents subject to residence and care arrangements as of December 31, 2022	57.890685%	
Expenses subject to minimum liquid reserve requirement	50,297,717	
Statutory requirement	10.0%	
Statutory minimum liquid reserve requirement	$ 5,029,772	(a)
Next 12 months debt service payments:		
Principal and interest payments	$ 9,541,963	
Percentage (%) of residents subject to residence and care arrangements as of December 31, 2022	57.890685%	
Statutory minimum liquid reserve requirement	$ 5,523,908	(b)
Assets satisfying statutory minimum liquid reserve requirement as of December 31, 2022:		
Cash and cash equivalents	4,075,649	
Investments	118,168,689	
Assets limited as to use	5,685,323	
	127,929,661	
Greater of (a) or (b)	5,523,908	
Assets in excess of statutory minimum liquid reserve requirement	$ 122,405,753	