



DISCLOSURE STATEMENT OF
DIAKON LUTHERAN SOCIAL MINISTRIES

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

April 30, 2024

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 Tipton

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/Tipton

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 274 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. Pre-sales of the new apartments have been occurring throughout the construction period, and initial move-ins are expected to occur in June 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, 2024:

	Independent Living	Personal Care	Skilled Nursing	Total
Buffalo Valley	169	44	98	311
Cumberland Crossings	128	40	49	217
Luther Crest	301	26	53	380
Topton	119	70	163	352
Total Senior Living	717	180	363	1,260

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:

	<u>Single Occupancy</u>	<u>Double Occupancy</u>
Entrance Fee	\$168,800	\$178,800
Monthly Fee	\$ 3,360	\$ 4,152

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.

In March 2024, Diakon signed a Membership Substitution Agreement with Lutheran Senior Services (“LSS”) whereby LSS will become the new sole member of DLSM. The transaction is subject to regulatory approval and is expected to close in the summer of 2024.

DESCRIPTION OF DLSM’S COMMUNITIES

Buffalo Valley

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.

Cumberland Crossings

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.

Luther Crest

Luther Crest is located on a 50-acre campus in a suburban location of South Whitehall Township, Lehigh County. The campus includes 252 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, 2023 and December 31, 2022.

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 \$5,551,202 as of December 31, 2023. 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



DIAKON LUTHERAN SOCIAL MINISTRIES: BOARD OF DIRECTORS (2024)

Michael Lehman, Chair	Retired President/CEO, Manufacturing Company
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
Don Main	Bishop Emeritus, Upper Susquehanna Synod
Scott Rehr	Financial Advisor
Jennifer Schlegel	College Professor
Carol Taylor	Retired Bank Executive

DIAKON LUTHERAN SOCIAL MINISTRIES: EXECUTIVE OFFICERS (2024)

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, Tipton, PA 19562.

Exhibit B

Independent Living Residence and Services Agreements

Type C Contract – Cottage

LUTHER HAVEN
at THE LUTHERAN HOME AT TOPTON
RESIDENCE AND SERVICES AGREEMENT



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RESIDENCE AND SERVICES AGREEMENT

THIS RESIDENCE AND SERVICES AGREEMENT (“Agreement”) is made this ____ day of _____, 20__ by and between Lutheran Home at Topton Retirement Community (“Lutheran Home at Topton” or “LHT”), Topton, Pennsylvania, a nonprofit continuing care retirement community of Diakon Lutheran Social Ministries, and _____ (hereinafter referred to as “You”).

LHT consists of independent living residences, a licensed personal care facility, a licensed nursing care facility, and many common areas. Residency is available to individuals age 55 or older. LHT’s independent living residences include existing residences in Luther Haven and Tower Court (“Existing Residences”). This Agreement is for an Existing Residence in Luther Haven.

NOW, THEREFORE, in consideration of the terms and conditions contained in this Agreement, You and Lutheran Home at Topton 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. Lutheran Home at Topton 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. Lutheran Home at Topton 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 Lutheran Home at Topton. The cost of any structural or physical change requested by You shall be paid for by You, unless otherwise agreed in writing by Lutheran Home at Topton. In addition, approval of such structural or physical change may be conditioned upon Your payment to Lutheran Home at Topton 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 LTH. Upon termination of this Agreement, any refund of such cost shall be governed by the Entrance Fee plan chose 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 Lutheran Home at Topton described in Lutheran Home at Topton's current literature.

2. Social Activities, Wellness Programs and Other Services. As a resident of Lutheran Home at Topton, You shall be entitled to attend and participate in planned activities, such as trips and social events, and wellness programs offered by Lutheran Home at Topton. 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 Lutheran Home at Topton'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, Lutheran Home at Topton may offer other services, such as beauty and barber services or catering services, beyond the normal scope of services offered by Lutheran Home at Topton. The availability and charges for such services are itemized in Lutheran Home at Topton's current literature.

E. Nursing Care, Personal Care, Medical Director and Other Physician Services. Lutheran Home at Topton operates a nursing care center and a personal care facility, both licensed by the Commonwealth of Pennsylvania. Should you desire admission to the nursing care center or personal care facility, 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 Lutheran Home at Topton'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.

3. Medical Director. Lutheran Home at Topton 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 facility must be credentialed by Lutheran Home at Topton.

F. Change in Scope of Services. Except for changes required by law where such notice is not possible, Lutheran Home at Topton 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 Lutheran Home at Topton and for the services and programs offered by Lutheran Home at Topton, 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 Lutheran Home at Topton 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 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, Lutheran Home at Topton shall have the right to resell Your right of occupancy in the Residence to another purchaser, and Lutheran Home at Topton 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 Lutheran Home at Topton 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. Lutheran Home at Topton 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 Lutheran Home at Topton 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 facility, 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 facility, 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 facility, this Agreement will terminate and You shall pay the published current per diem fee for the nursing care center or personal care facility, plus the cost of any ancillary services.

III. DATE OF RIGHT OF OCCUPANCY

A. Date of Right of Occupancy. You and Lutheran Home at Topton 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 Lutheran Home at Topton, in its sole discretion.

B. Application Forms. As part of the admission process, You have submitted an Application for Admission and a Confidential Financial Statement.

C. Health Status; Medical Examination. As part of the admission process, You have been examined by a qualified physician of Your own choosing who has completed a Health History and Information form, which has been submitted to Lutheran Home at Topton by You. You represent that You are capable of living safely without the assistance of another person in a Residence or with such assistance as you are responsible to provide.

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, LHT 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 Lutheran Home at Topton. If You have executed, or in the future execute, an advance directive, You shall provide a copy to Lutheran Home at Topton.

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 Lutheran Home at Topton and shall furnish Lutheran Home at Topton with evidence of such coverage.

G. Other Insurance. In order to ensure protection for You and Lutheran Home at Topton, 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. Reliance Upon Submitted Information: Requests for Updated Information. Lutheran Home at Topton has relied on the information submitted by You during the admission process in making its admission decision. Lutheran Home at Topton reserves the right both prior to and during Your occupancy of the Residence to require You, upon request, to submit 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 Lutheran Home at Topton, 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, Lutheran Home at Topton 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 Lutheran Home at Topton 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 Lutheran Home at Topton;

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 Lutheran Home at Topton property;

4. notify Lutheran Home at Topton promptly if there is any condition in or about the Residence that could harm residents or others or damage the Residence;

5. notify Lutheran Home at Topton 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 Lutheran Home at Topton of any repairs needed to the Residence.

C. Pets. The ownership of pets is governed by Lutheran Home at Topton'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 Lutheran Home at Topton's Guest Policy as reflected in the Resident Handbook. The Guest Policy of Lutheran Home at Topton is subject to change from time to time in the sole discretion of Lutheran Home at Topton.

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 Lutheran Home at Topton 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 Lutheran Home at Topton. 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 Lutheran Home at Topton, 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 Lutheran Home at Topton.

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

Lutheran Home at Topton 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 Lutheran Home at Topton'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 Lutheran Home at Topton 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. Lutheran Home at Topton 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 Lutheran Home at Topton. 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. Lutheran Home at Topton 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, Lutheran Home at Topton, 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 Lutheran Home at Topton.

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 Lutheran Home at Topton 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 Lutheran Home at Topton's property You cause.

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

K. Responsibility for Loss or Damage of Personal Property. Lutheran Home at Topton 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 Lutheran Home at Topton, 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 Lutheran Home at Topton and You shall bear the risk of any damage or loss of personal property held in storage by Lutheran Home at Topton.

L. Release Regarding Conduct of Other Residents. Lutheran Home at Topton assumes no liability for Your conduct or the conduct of other residents or guests of Lutheran Home at Topton, and You hereby release and discharge Lutheran Home at Topton 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 Lutheran Home at Topton. If Lutheran Home at Topton 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

Lutheran Home at Topton justifies such transfer, Lutheran Home at Topton may move You to a new residence of a similar size provided that Lutheran Home at Topton (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 Lutheran Home at Topton. Upon such rescission, all monies paid by You to Lutheran Home at Topton, 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 Lutheran Home at Topton. Upon such termination, Lutheran Home at Topton shall have the right to resell Your right of occupancy to the Residence to another purchaser, and Lutheran Home at Topton 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 Lutheran Home at Topton, Lutheran Home at Topton shall fully refund all monies paid by You, except for any Processing Fee(s) and the costs incurred by Lutheran Home at Topton 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 Lutheran Home at Topton. Refunds shall be governed by Section VI of this Agreement.

B. Termination by Lutheran Home at Topton for Cause. Lutheran Home at Topton 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 Lutheran Home at Topton;

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 Lutheran Home at Topton. This decision shall be determined by the Lutheran Home at Topton 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 Lutheran Home at Topton is unable to accommodate Your needs, is in Your best interests. This decision shall be determined by the Lutheran Home at Topton Appropriateness of Care Committee, in consultation with You, Your physician, Your legal representative(s) and any other person designated by You;

7. If either prior to or during Your occupancy of the Residence, the results of an updated 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 Lutheran Home at Topton Appropriateness of Care Committee, in consultation with You, Your physician, Your legal representative(s) and any other person designated by You; or

8. Lutheran Home at Topton 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 Lutheran Home at Topton, 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 Lutheran Home at Topton. 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 Lutheran Home at Topton.

2. If You or Your representative are unable to remove Your personal possessions from the Residence, Lutheran Home at Topton shall have the right to remove and store such items at the sole expense of You or Your estate. Lutheran Home at Topton 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 Lutheran Home at Topton and Lutheran Home at Topton receives a replacement entrance fee for the Residence. Every effort will be made by Lutheran Home at Topton 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 Lutheran Home at Topton. If You have permanently moved to the Nursing Care Center or Personal care Facility, Lutheran Home at Topton 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 Lutheran Home at Topton, rather than upon Lutheran Home at Topton'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 Lutheran Home at Topton.

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 and You will be provided with notification of the deductions.

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) Lutheran Home at Topton 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 Lutheran Home at Topton. 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 Lutheran Home at Topton 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. Lutheran Home at Topton, 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, You must not have impaired 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 Lutheran Home at Topton 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 Lutheran Home at Topton.

B. Right of Self-Organization. You and the other residents of Lutheran Home at Topton shall have the right of self-organization.

C. Tobacco-Free Policy. Lutheran Home at Topton Retirement Community is a tobacco-free community. Smoking and use of any other tobacco products are not permitted anywhere on Lutheran Home at Topton 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. Parking. Parking is available on the Lutheran Home at Topton 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 Lutheran Home at Topton. Limited RV parking may be available on the campus, as outlined in the Resident Handbook.

F. 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 Residence is situated.

G. Service and Emotional Support Animals: Lutheran Home at Topton will accommodate Your Service or Emotional Support Animal in accordance with the guidelines of the Americans with Disabilities Act and the federal Fair Housing Act.

H. Religious Affiliation. Lutheran Home at Topton 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 Lutheran Home at Topton or Diakon Lutheran Social Ministries under this Agreement.

I. Disclosure Statement. Lutheran Home at Topton 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 Lutheran Home at Topton 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 Lutheran Home at Topton, in the case of notice to Lutheran Home at Topton. 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. Lutheran Home at Topton 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. Code of Conduct. You agree to abide by the Code of Conduct for independent living residents which has been provide to You and as it may be updated from time to time.

R. 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 Lutheran Home at Topton regarding Your right of occupancy of the Residence, and may not be waived, changed, modified, extended or discharged except in writing executed by Lutheran Home at Topton and by the party against whom enforcement of any such waiver, change, modification, extension or discharge is sought.

S. Change in Law. Notwithstanding Subparagraph M above, Lutheran Home at Topton 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.

T. Acknowledgment of Receipt of Disclosure Statement, Resident Handbook and Notice of Privacy Practices. You acknowledge receipt of Lutheran Home at Topton's most recent annual disclosure statement. In addition, You acknowledge receipt of Lutheran Home at Topton's Resident Handbook and HIPAA Notice of Privacy Practices at the time of execution of this Agreement.

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

LUTHERAN HOME AT TOPTON

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	\$ _____

LUTHERAN HOME AT TOPTON

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, garbage disposal, central air conditioning, washer and dryer, emergency call system, wall-to-wall carpeting, and other features and fixtures as described in LHT's current literature.
2. 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);
3. Water, garbage collection and sewerage;
4. Pest control on the grounds and in Your Residence;
5. Annual heavy house cleaning and exterior window washing for Your Residence;
6. Maintenance of appliances provided by LHT and maintenance, repairs and replacements of LHT's property and equipment;
7. Television jacks provided in Your Residence;
8. Access to social, recreational and spiritual programs;
9. Casualty and liability insurance for LHT's campus and the exterior of Your Residence;
10. Such other services and activities as may from time to time be provided by LHT.

The following items are not included in Your Monthly Fee:

1. Utilities other than garbage collection, water, and sewer (e.g. electric, telephone, Internet, etc.) are paid by You directly to the company providing such services.
2. You are responsible for the costs of any cable service.
3. 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 Lutheran Home at Topton 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, Lutheran Home at Topton Retirement Community, One South Home Avenue, Topton, PA 19562, 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 shall not be included in the amount subject to a refund under the terms of this Agreement.

<u>Option</u>	<u>Cost</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

LUTHERAN HOME AT TOPTON
By: _____
Name (printed) _____

RESIDENT
By: _____
Name (printed) _____

RESIDENT:
By: _____
Name (printed) _____

Type C Contract – Apartment

TOWER COURT
at THE LUTHERAN HOME AT TOPTON
RESIDENCE AND SERVICES AGREEMENT



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RESIDENCE AND SERVICES AGREEMENT

THIS RESIDENCE AND SERVICES AGREEMENT (“Agreement”) is made this ____ day of _____, 20__ by and between Lutheran Home at Topton Retirement Community (“Lutheran Home at Topton” or “LHT”), Topton, Pennsylvania, a nonprofit continuing care retirement community of Diakon Lutheran Social Ministries, and _____ (hereinafter referred to as “You”).

LHT consists of independent living residences, a licensed personal care facility a licensed nursing care facility, and many common areas. Residency is available to individuals age 55 or older. LHT’s independent living residences include existing residences in Luther Haven and Tower Court (“Existing Residences”). This Agreement is for an Existing Residence in Tower Court.

NOW, THEREFORE, in consideration of the terms and conditions contained in this Agreement, You and Lutheran Home at Topton 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. Lutheran Home at Topton 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. Lutheran Home at Topton 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 Lutheran Home at Topton. The cost of any structural or physical change requested by You shall be paid for by You, unless otherwise agreed in writing by Lutheran Home at Topton. In addition, approval of such structural or physical change may be conditioned upon Your payment to Lutheran Home at Topton of a sum sufficient to later restore the Residence to its original condition.

1. Structural Changes Which Increase Conditional Living Space. The cost of any post-occupancy structural changes or addition paid by You which increase the square footage of conditional 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 LHT. 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 Lutheran Home at Topton described in Lutheran Home at Topton's current literature.

2. Social Activities, Wellness Programs and Other Services. As a resident of Lutheran Home at Topton, You shall be entitled to attend and participate in planned activities, such as trips and social events, and wellness programs offered by Lutheran Home at Topton. 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 Lutheran Home at Topton'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, Lutheran Home at Topton may offer other services, such as beauty and barber services or catering services, beyond the normal scope of services offered by Lutheran Home at Topton. The availability and charges for such services are itemized in Lutheran Home at Topton's current literature.

E. Nursing Care, Personal Care, Medical Director and Other Physician Services. Lutheran Home at Topton operates a nursing care center and a personal care facility, both licensed by the Commonwealth of Pennsylvania. Should you desire admission to the nursing care center or personal care facility, 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 Lutheran Home at Topton'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.

3. Medical Director. Lutheran Home at Topton 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 facility must be credentialed by Lutheran Home at Topton.

F. Change in Scope of Services. Except for changes required by law where such notice is not possible, Lutheran Home at Topton 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 Lutheran Home at Topton and for the services and programs offered by Lutheran Home at Topton, 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 conditional 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 Lutheran Home at Topton 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 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, Lutheran Home at Topton shall have the right to resell Your right of occupancy in the Residence to another purchaser, and Lutheran Home at Topton 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 Lutheran Home at Topton 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. Lutheran Home at Topton 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 Lutheran Home at Topton 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 facility, 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 facility, 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 facility, this Agreement will terminate and You shall pay the published current per diem fee for the nursing care center or personal care facility, plus the cost of any ancillary services.

III. DATE OF RIGHT OF OCCUPANCY

A. Date of Right of Occupancy. You and Lutheran Home at Topton 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 Lutheran Home at Topton, in its sole discretion.

B. Application Forms. As part of the admission process You have submitted an Application for Admission and a Confidential Financial Statement.

C. Health Status; Medical Examination. As part of the admission process, You have been examined by a qualified physician of Your own choosing who has completed a Health History and Information form, which has been submitted to Lutheran Home at Topton by You. You represent that You are capable of living safely without the assistance of another person in a Residence, or with such assistance as you are responsible to provide.

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, LHT 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 Lutheran Home at Topton. If You have executed, or in the future execute, an advance directive, You shall provide a copy to Lutheran Home at Topton.

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 Lutheran Home at Topton and shall furnish Lutheran Home at Topton with evidence of such coverage.

G. Other Insurance. In order to ensure protection for You and Lutheran Home at Topton, 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. Reliance Upon Submitted Information: Requests for Updated Information. Lutheran Home at Topton has relied on the information submitted by You during the admission process in making its admission decision. Lutheran Home at Topton reserves the right both prior to and during Your occupancy of the Residence to require You, upon request by Lutheran Home at Topton, 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 Lutheran Home at Topton, 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, Lutheran Home at Topton 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 Lutheran Home at Topton 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 Lutheran Home at Topton;
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 Lutheran Home at Topton property;

4. notify Lutheran Home at Topton promptly if there is any condition in or about the Residence that could harm residents or others or damage the Residence;

5. notify Lutheran Home at Topton 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 Lutheran Home at Topton of any repairs needed to the Residence.

C. Pets. The ownership of pets is governed by Lutheran Home at Topton'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 Lutheran Home at Topton's Guest Policy as reflected in the Resident Handbook. The Guest Policy of Lutheran Home at Topton is subject to change from time to time in the sole discretion of Lutheran Home at Topton.

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 Lutheran Home at Topton 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 Lutheran Home at Topton. 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 Lutheran Home at Topton, 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 Lutheran Home at Topton.

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 Lutheran Home at Topton 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 Lutheran Home at Topton'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 Lutheran Home at Topton 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. Lutheran Home at Topton 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 Lutheran Home at Topton. 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. Lutheran Home at Topton 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, Lutheran Home at Topton, 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 Lutheran Home at Topton.

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 Lutheran Home at Topton 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 Lutheran Home at Topton's property You cause.

J. Damage to Residence. If the Residence is damaged by fire or other casualty covered by Lutheran Home at Topton's insurance, to the extent that the Residence can be restored to its prior condition within ninety (90) days, Lutheran Home at Topton shall repair the damage and restore the Residence to its prior condition at the sole cost and expense of Lutheran Home at

Topton. If You do not remain in possession of the Residence while Lutheran Home at Topton makes repairs, You will not be required to pay any Monthly Fees.

K. Responsibility for Loss or Damage of Personal Property. Lutheran Home at Topton 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 Lutheran Home at Topton, 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 Lutheran Home at Topton and You shall bear the risk of any damage or loss of personal property held in storage by Lutheran Home at Topton.

L. Release Regarding Conduct of Other Residents. Lutheran Home at Topton assumes no liability for Your conduct or the conduct of other residents or guests of Lutheran Home at Topton, and You hereby release and discharge Lutheran Home at Topton 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 Lutheran Home at Topton. If Lutheran Home at Topton 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 Lutheran Home at Topton justifies such transfer, Lutheran Home at Topton may move You to a new residence of a similar size provided that Lutheran Home at Topton (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 Lutheran Home at Topton. Upon such rescission, all monies paid by You to Lutheran Home at Topton, 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 Lutheran Home at Topton. Upon such termination, Lutheran Home at Topton shall have the right to resell Your right of occupancy to the Residence to another purchaser, and Lutheran Home at Topton 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 Lutheran Home at Topton, Lutheran Home at Topton shall fully refund all monies paid by You, except for any Processing Fee(s) and the costs incurred by Lutheran Home at Topton 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 Lutheran Home at Topton. Refunds shall be governed by Section VI of this Agreement.

B. Termination by Lutheran Home at Topton for Cause. Lutheran Home at Topton 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 Lutheran Home at Topton;
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 Lutheran Home at Topton. This decision shall be determined by the Lutheran Home at Topton 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 Lutheran Home at Topton is unable to accommodate Your needs, is in Your best interests. This decision shall be determined by the Lutheran Home at Topton Appropriateness of Care Committee, in consultation with You, Your physician, Your legal representative(s) and any other person designated by You;
7. If either prior to or during Your occupancy of the Residence, the results of an updated 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 Lutheran Home at Topton Appropriateness of Care Committee, in consultation with You, Your physician, Your legal representative(s) and any other person designated by You; or

8. Lutheran Home at Topton 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 Lutheran Home at Topton, 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 Lutheran Home at Topton. 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 Lutheran Home at Topton.

2. If You or Your representative are unable to remove Your personal possessions from the Residence, Lutheran Home at Topton shall have the right to remove and store such items at the sole expense of You or Your estate. Lutheran Home at Topton 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 Lutheran Home at Topton and Lutheran Home at Topton receives a replacement entrance fee for the Residence. Every effort will be made by Lutheran Home at Topton 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 Lutheran Home at Topton. If You have permanently moved to the Nursing Care Center or Personal care Facility,

Lutheran Home at Topton 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 Lutheran Home at Topton, rather than upon Lutheran Home at Topton'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 Lutheran Home at Topton.

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 and You will be provided with notifications of the deductions.

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) Lutheran Home at Topton 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 Lutheran Home at Topton. 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 Lutheran Home at Topton 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. Lutheran Home at Topton, 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 Lutheran Home at Topton 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 Lutheran Home at Topton.

B. Right of Self-Organization. You and the other residents of Lutheran Home at Topton shall have the right of self-organization.

C. Tobacco-Free Policy. Lutheran Home at Topton Retirement Community is a tobacco-free community. Smoking and use of any other tobacco products are not permitted anywhere on Lutheran Home at Topton 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 of 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 data is available is \$ _____ Retirement Community.

F. Parking. Parking is available on the Lutheran Home at Topton 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 Lutheran Home at Topton. 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. Service and Emotional Support Animals. Lutheran Home at Topton will accommodate Your Service or Emotional Support Animal in accordance with the guidelines of the Americans with Disabilities Act and the federal Fair Housing Act.

I. Religious Affiliation. Lutheran Home at Topton 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 Lutheran Home at Topton or Diakon Lutheran Social Ministries under this Agreement.

J. Disclosure Statement. Lutheran Home at Topton shall make available to You its disclosure statement, required under Pennsylvania law to be filed with the Department of Insurance annually.

K. 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.

L. 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.

M. 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.

N. Assignment. You may not assign this Agreement.

O. Waiver. The waiver by Lutheran Home at Topton 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.

P. Code of Conduct. You agree to abide by the Code of Conduct for independent living residents which has been provided to You and as it may be updated from time to time.

Q. 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 Lutheran Home at Topton, in the case of notice to Lutheran Home at Topton. 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.

R. Non-Discrimination. Lutheran Home at Topton 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.

S. 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 Lutheran Home at Topton regarding Your right of occupancy of the Residence, and may not be waived, changed, modified, extended or discharged except in writing executed by Lutheran Home at Topton and by the party against whom enforcement of any such waiver, change, modification, extension or discharge is sought.

T. Change in Law. Notwithstanding Subparagraph M above, Lutheran Home at Topton 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.

U. Acknowledgment of Receipt of Disclosure Statement, Resident Handbook and Notice of Privacy Practices. You acknowledge receipt of Lutheran Home at Topton's most recent annual disclosure statement. In addition, You acknowledge receipt of Lutheran Home at Topton's Resident Handbook and HIPAA Notice of Privacy Practices at the time of execution of this Agreement.

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

LUTHERAN HOME AT TOPTON

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	\$ _____

LUTHERAN HOME AT TOPTON

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, garbage disposal, central air conditioning, washer and dryer, emergency call system, wall-to-wall carpeting, and other features and fixtures as described in LHT's current literature.
2. 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);
3. Water, garbage collection, and sewerage;
4. Pest control on the grounds and in Your Residence;
5. Annual heavy house cleaning and exterior window washing for Your Residence;
6. Maintenance of appliances provided by LHT and maintenance, repairs and replacements of LHT's property and equipment;
7. Television jacks provided in Your Residence;
8. Access to social, recreational and spiritual programs;
9. One (1) Dining Dollars debit card or key fob per resident of Your Residence (please see Schedule E);
10. A 24-hour emergency call system;
11. Casualty and liability insurance for LHT's campus and the exterior of Your Residence;
12. Such other services and activities as may from time to time be provided by LHT.

The following items are not included in Your Monthly Fee:

1. Utilities other than garbage collection, water, electricity and sewerage (e.g. telephone, Internet, etc.) are paid by You directly to the company providing such services.
2. You are responsible for the costs of any cable service.
3. 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 Lutheran Home at Topton 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, Lutheran Home at Topton Retirement Community, One South Home Avenue, Topton, PA 19562, 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 conditional 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.

<u>Option</u>	<u>Cost</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

LUTHERAN HOME AT TOPTON
By: _____
Name (printed) _____

RESIDENT
By: _____
Name (printed) _____

RESIDENT:
By: _____
Name (printed) _____

SCHEDULE E – Dining Dollars

As indicated on Schedule B, as part of the services and items covered by Your Monthly Fee, each resident of Your Residence is entitled to a “Dining Dollars” debit card/key fob to use for purchasing resident meals in The Countryside Inn and Tavern and The Front Porch.

Dining Dollars are provided on a monthly basis and must be used before the end of each month. Any Dining Dollars remaining at the end of a month will not carry over into the next month. The amount on Your Dining Dollars debit card/key fob will be reset on the first day of each month.

Each time You use Your Dining Dollars debit card/key fob, You will be given a receipt showing the balance of Dining Dollars remaining for the month. You may purchase additional Dining Dollars during any given month.

The amount of Dining Dollars to which You are entitled is based on the cost of providing one meal per day in The Countryside Inn and Tavern. The current amount of Dining Dollars per resident per day is \$_____. This amount is effective through December 31, 20__.

Changes in the costs of meals, culinary services, etc. at LHT may result in periodic adjustments to the actual dollar amount of Dining Dollars provided on Your debit card/key fob. However, You will always be entitled to an amount of Dining Dollars which equals the cost of one meal per day.

THE LUTHERAN HOME AT TOPTON

RESIDENT

By:_____

By:_____

Name (printed)_____

Name (printed)_____

RESIDENT:

By:_____

Name (printed)

Exhibit C

Entrance Fees and Monthly Fees

PLANS & PRICING - TOWER COURT

THIS IS THE WAY TO AFFORDABLE LIVING.

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

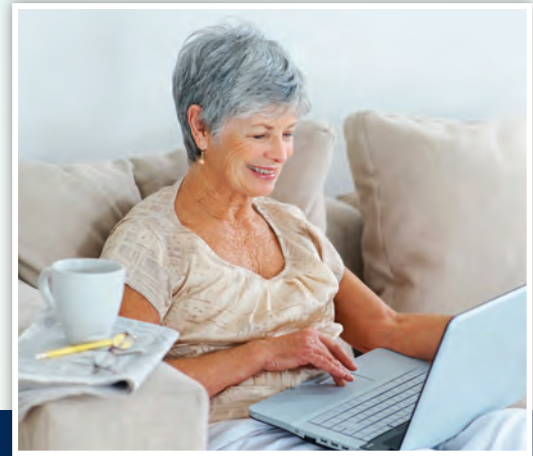
This plan offers the lowest entrance fee. With this option, the amount of your eligible refund declines each month over the first 49 months of occupancy to a 0% refund.

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.



YOUR MONTHLY SERVICE FEE INCLUDES:

- Interior and exterior maintenance
- Bi-weekly light housekeeping
- Flexible meal plan
- 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
- Preventive care wellness program including care navigator
- Fitness center and fitness classes
- Building and grounds maintenance
- 24-hour call system
- Priority access to care in Personal Care and Health Care Center
- Weekly trash and recycling service
- Heat, central air-conditioning, water, sewer, and electricity
- Pest control
- Well-lighted grounds and parking areas

OTHER ONSITE AMENITIES:

- Outpatient rehabilitation
- Pharmacy, dental, podiatry, audiology, and optometry
- Visiting physicians



Effective 1/1/2024

Approx. Sq. Ft.	Apartment Style	<i>Classic Plan 0% Refund</i>	<i>Classic Plan Plus 50% Refund</i>	<i>Estate Preservation 70% Refund</i>	Monthly Fee
		Entrance Fee Starting at...	Entrance Fee Starting at...	Entrance Fee Starting at...	
475	Studio	\$ 94,710	\$142,065	\$161,007	\$2,120
630	One-Bedroom	\$132,825	\$199,238	\$225,803	\$2,865
885	Two-Bedroom	\$184,800	\$277,200	\$314,160	\$3,320
1200	Two-Bedroom Deluxe	\$207,900	\$311,850	\$353,430	\$3,535
	Second Person				\$ 770

Second-person entrance fee: \$12,000

NOTE: Prices will vary based on location, interior finishes, customizations and selected options.



610.682.1413
www.LutheranHomeatTopton.org
 One South Home Avenue | Topton, PA 19562

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PLANS & PRICING – LUTHER HAVEN

THIS IS THE WAY TO AFFORDABLE LIVING.

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.



YOUR MONTHLY SERVICE FEE INCLUDES:

- Lawn care and landscaping
- Interior and exterior maintenance
- Snow removal on sidewalks and parking areas
- Entertainment, spiritual enrichment and a variety of programs and events
- Regularly scheduled transportation for group outings
- Preventive care wellness program including care navigator
- Fitness center and fitness classes
- Building and grounds maintenance
- Priority access to care in Personal Care and Health Care Center
- Weekly trash and recycling service
- Water and sewer
- Pest control
- Well-lighted grounds and parking areas

OTHER ON-SITE AMENITIES:

- Outpatient rehabilitation
- Pharmacy, dental, podiatry, audiology, and optometry
- Visiting physicians



**THE LUTHERAN
HOME AT TOPTON**

A DIAKON SENIOR LIVING COMMUNITY

Effective 1/1/2024

		<i>Classic Plan 0% Refund</i>	<i>Classic Plan Plus 50% Refund</i>	<i>Estate Preservation 70% Refund</i>	
Approx. Sq. Ft.	Cottage Style	Entrance Fee Starting at...	Entrance Fee Starting at...	Entrance Fee Starting at...	Monthly Fee
1 Bedroom Units					
625	Standard	\$109,725	\$164,588	\$186,533	\$1,565
760	Deluxe	\$150,150	\$225,225	\$255,255	\$1,830
745	Grand	\$161,700	\$242,550	\$274,890	\$2,065
860	Supreme	\$184,800	\$277,200	\$314,160	\$2,195
2 Bedroom Units					
965	Standard	\$207,900	\$311,850	\$353,430	\$2,240
1100	Deluxe	\$217,140	\$325,710	\$369,138	\$2,320
1100	Large Deluxe	\$236,775	\$355,163	\$402,518	\$2,455
1100	Grand	\$242,550	\$363,825	\$412,335	\$2,545
1450	Supreme	\$266,065	\$399,098	\$452,311	\$2,995
2000	Large Supreme	\$283,800	\$425,700	\$482,460	\$3,805
Stone Crossing					
1150	Ashford	\$288,750	\$433,125	\$490,875	\$2,660
1600	Belmont	\$394,275	\$591,413	\$670,268	\$2,715
Koch-Knauss Apartments					
980	1 Bedroom	\$167,475	\$251,213	\$284,708	\$1,565
1050	2 Bedrooms	\$196,350	\$294,525	\$333,795	\$1,870

Second-person entrance fee: \$12,000

NOTE: Prices will vary based on location, interior finishes, customizations and selected options..



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IDEAL BLEND OF INDEPENDENCE, SECURITY & AFFORDABILITY

At The Lutheran Home at Topton, 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 can enjoy a full schedule of fun, engaging activities.

PERSONAL CARE SERVICES

- Private or companion suites with private bathrooms
- 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
- Preventive care wellness programs including a consulting dietician
- Access to on-site health-care providers
- Access to on-site outpatient rehabilitation
- Wi-Fi accessible throughout the building
- Heat and air-conditioning
- Window coverings



Effective 1/1/2024

SECURITY & MAINTENANCE

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

DAILY/MONTHLY RATES

Single/shared bath	\$232/day; \$6,960/month
Single/private bath	\$249/day; \$7,470/month
Suite A (single)	\$306/day; \$9,180/month
Suite B (single)	\$300/day; \$9,000/month
Suite C (single)	\$289/day; \$8,670/month

Terrace Level

	\$232/day; \$6,960/month
	\$244/day; \$7,320/month
	\$294/day; \$8,820/month
	\$294/day; \$8,820/month
	\$272/day; \$8,160/month

Companion Occupancy

Suite.....\$215/day each; \$6,450/month

Respite.....\$231/day

Bridge to Home.....\$173/day

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	\$21/day
Level 2	\$35/day
Level 3	\$64/day
Level 4.....	\$105/day

OUR PERSONAL CARE SUITES

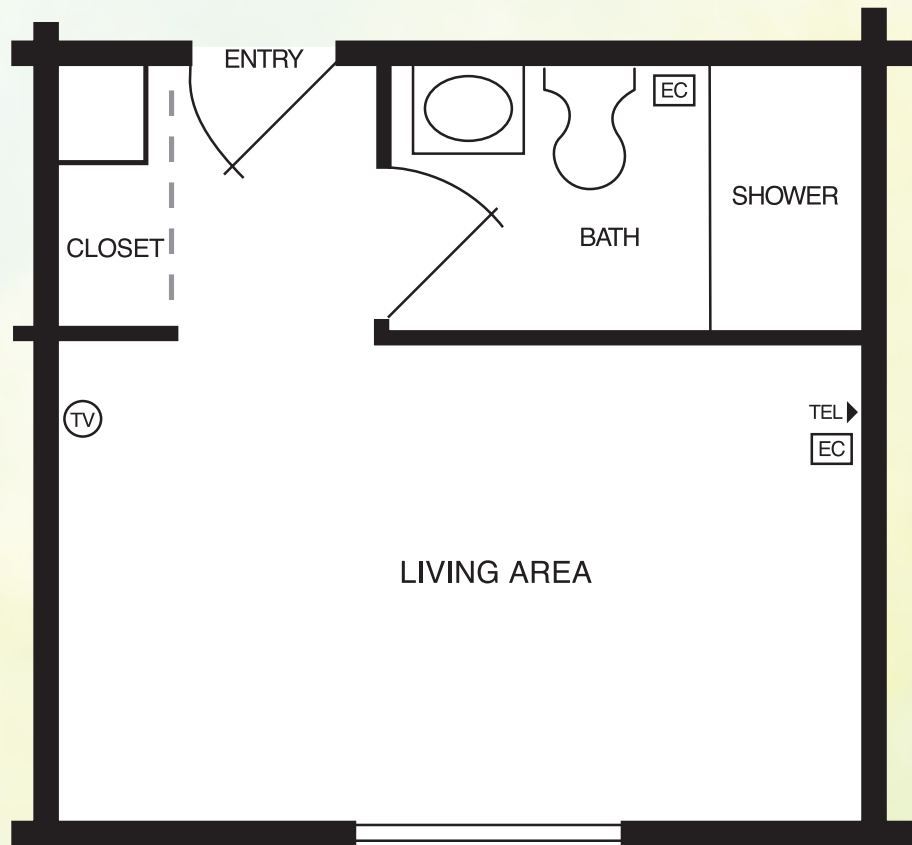
- Comfortable, homelike setting
- Private or companion rooms with private baths
- Emergency call system
- Individually controlled heat and air conditioning
- Wall-to-wall carpeting

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.

TYPICAL
ONE BEDROOM



**THE LUTHERAN
HOME AT TOPTON**

A DIAKON SENIOR LIVING COMMUNITY

610.682.1410 | One South Home Avenue | Topton, PA 19562

www.LutheranHomeatTopton.org

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LeadingAge^{PA}
formerly panpha



Exhibit D

Schedule of Monthly Fee Changes

Diakon
5 Year Average Rate Increases

	<u>1/1/2020</u>	<u>1/1/2021</u>	<u>1/1/2022</u>	<u>1/1/2023</u>	<u>1/1/2024</u>
Buffalo Valley	3.0%	3.0%	5.0%	7.5%	5.0%
Cumberland Crossings	3.0%	3.0%	5.0%	7.5%	5.0%
Luther Crest	3.0%	3.0%	5.0%	7.5%	5.0%
Lutheran Home at Tipton	3.5%	3.0%	5.0%	7.5%	5.0%

Exhibit E

Ancillary Services for an Additional Fee

Exhibit F

Audited Financial Statements

Diakon and Controlled Affiliates

Consolidated Financial Statements
and Supplementary Information

December 31, 2023 and 2022

Diakon and Controlled Affiliates

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December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
Diakon and Controlled Affiliates

Report on the Audit of Consolidated Financial Statements

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, 2023 and 2022, 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, 2023 and 2022, 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) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and minimum liquid reserve calculation found on pages 44 through 50 are presented for purposes of additional analysis 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 are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2024 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Baker Tilly US, LLP

New Castle, Pennsylvania
April 24, 2024

Diakon and Controlled Affiliates

Consolidated Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,239,356	\$ 9,261,958
Assets limited as to use	6,440,747	11,065,998
Accounts receivable, net:		
Patients and residents	7,006,753	7,069,824
Statewide adoption and permanency network	5,502,851	12,126,420
Other client services	4,275,238	4,354,057
Estimated third-party payor settlements	47,419	439,044
Prepaid expenses and other assets	<u>2,999,360</u>	<u>3,214,714</u>
Total current assets	48,511,724	47,532,015
Investments	151,401,356	139,481,360
Assets limited as to use, less current portion:		
Statutory minimum liquid reserves	5,551,202	5,523,908
Other	32,909,468	48,161,348
Investment in joint venture	1,417,665	1,417,665
Land, buildings and equipment, net	166,839,296	137,005,902
Finance lease right-of-use assets, net	1,813,377	715,908
Operating lease right-of-use assets	1,861,596	1,894,303
Other assets:		
Receivables from charitable gift annuities	136,494	270,085
Funds held in trust by others and beneficial interest in trust	37,532,794	34,516,826
Swap agreement	42,566	70,410
Other assets	<u>1,024,865</u>	<u>850,119</u>
Total assets	<u>\$ 449,042,403</u>	<u>\$ 417,439,849</u>

See notes to consolidated financial statements

Diakon and Controlled Affiliates

Consolidated Balance Sheets

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,196,326	\$ 25,028,276
Provider relief and other funds	1,189,155	2,754,558
Deposits, patients and residents	369,303	404,918
Estimated third-party payor settlements	518,125	498,247
Current finance lease liabilities	427,322	231,939
Current operating lease liabilities	806,992	808,404
Current maturities of long-term debt	4,805,479	4,611,812
	<u>43,312,702</u>	<u>34,338,154</u>
Total current liabilities	43,312,702	34,338,154
Pension liability	24,420,445	24,796,630
Deferred revenue, entrance fee agreements	57,970,780	57,255,785
Refundable entrance fee liability	16,849,115	17,395,567
Other long-term liabilities	1,123,786	1,345,801
Long-term finance lease liabilities	1,339,745	459,010
Long-term operating lease liabilities	1,090,404	1,168,819
Long-term debt, less current maturities and debt issuance costs	135,462,979	139,230,106
	<u>281,569,956</u>	<u>275,989,872</u>
Total liabilities	281,569,956	275,989,872
Net assets:		
Without donor restrictions	99,783,402	80,695,238
With donor restrictions	67,689,045	60,754,739
	<u>167,472,447</u>	<u>141,449,977</u>
Total net assets	167,472,447	141,449,977
Total liabilities and net assets	<u>\$ 449,042,403</u>	<u>\$ 417,439,849</u>

See notes to consolidated financial statements

Diakon and Controlled Affiliates

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues, gains and other support:		
Patient and resident service revenue, net	\$ 79,146,972	\$ 73,912,353
Amortization of entrance fees	8,621,002	8,178,596
Contract revenue	18,164,393	27,572,650
Other fees and services	11,773,589	12,352,535
Statewide Adoption and Permanency Network revenue	74,898,114	73,899,267
Investment income, net of expenses	6,684,807	3,851,631
Income from trusts	1,582,522	1,733,526
Contributions and bequests	355,034	1,402,387
Net assets released from restrictions, operations	1,483,903	1,491,964
Gain on disposal of assets	685	20,377,943
Gain on insurance proceeds	4,360	18,188
	<u>202,715,381</u>	<u>224,791,040</u>
Total operating revenues, gains and other support		
Expenses:		
Salaries and wages	37,069,049	39,178,365
Employee benefits	9,382,032	9,608,207
Other expenses	57,649,997	55,283,425
Other expenses, Statewide Adoption and Permanency Network	73,822,477	71,946,498
Nursing home assessment	1,046,484	703,364
Interest	4,681,498	5,355,723
Depreciation and amortization	13,935,929	13,968,853
	<u>197,587,466</u>	<u>196,044,435</u>
Total expenses		
Operating income	<u>5,127,915</u>	<u>28,746,605</u>
Nonoperating income (loss):		
Net periodic pension (cost) benefit, nonservice component	(1,171,731)	403,647
Equity gains in joint venture	-	88,383
Unrealized gains (losses) on investments	13,553,625	(26,532,535)
Loss from early extinguishment of debt	-	(865,823)
	<u>12,381,894</u>	<u>(26,906,328)</u>
Total nonoperating income (loss)		
Excess of operating revenues, gains and other support over expenses	<u>17,509,809</u>	<u>1,840,277</u>

See notes to consolidated financial statements

Diakon and Controlled Affiliated

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Other changes:		
Pension-related changes other than net periodic pension (cost) benefit	\$ 1,547,916	\$ 11,584,094
(Decrease) increase in fair value of swap agreement	(27,844)	766,985
Net assets released from restrictions, capital	<u>58,283</u>	<u>372,344</u>
Total other changes	<u>1,578,355</u>	<u>12,723,423</u>
Increase in net assets without donor restrictions	<u>19,088,164</u>	<u>14,563,700</u>
Net assets with donor restrictions:		
Contributions and bequests	1,616,563	442,550
Investment income, net of expenses	757,794	631,042
Unrealized gains (losses) on investments	2,975,380	(4,803,858)
Net assets released from restrictions, operations	(1,483,903)	(1,491,964)
Net assets released from restrictions, capital	(58,283)	(372,344)
Change in beneficial interest in trust	249,312	(397,779)
Increase (decrease) in fair value of funds held in trust by others	<u>2,877,443</u>	<u>(8,472,159)</u>
Increase (decrease) in net assets with donor restrictions	<u>6,934,306</u>	<u>(14,464,512)</u>
Increase in net assets	26,022,470	99,188
Net assets, beginning	<u>141,449,977</u>	<u>141,350,789</u>
Net assets, ending	<u>\$ 167,472,447</u>	<u>\$ 141,449,977</u>

See notes to consolidated financial statements

Diakon and Controlled Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase in net assets	\$ 26,022,470	\$ 99,188
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized gains on investments	(1,230,704)	(1,344)
Net unrealized (gains) losses on investments	(16,529,005)	31,336,393
Depreciation and amortization	13,935,929	13,968,853
Amortization of debt issuance costs	219,169	195,475
Decrease in pension liability	(376,185)	(11,987,742)
Amortization of bond premium	(541,405)	(712,585)
Amortization of entrance fees	(8,621,002)	(8,178,596)
Proceeds from entrance fees	11,560,919	14,465,289
Change in funds held in trust by others and beneficial interest in trust	(3,015,968)	8,869,938
Loss (gain) on fair value of swap agreement	27,844	(766,985)
Equity in gains of joint venture	-	(88,383)
Gains on disposal of assets	(685)	(20,377,943)
Loss from early extinguishment of debt	-	865,823
Variable lease adjustments	(45,587)	(6,996)
Change in assets and liabilities:		
Accounts receivable and estimated third-party payor settlements	7,176,962	(8,170,284)
Prepaid expenses and other current assets	215,354	(178,854)
Operating lease right-of-use assets	32,707	(8,978)
Other assets	(174,746)	(192,631)
Accounts payable, accrued expenses, and other liabilities	2,473,853	(5,127,978)
Deposits, patients and residents	(35,615)	(67,305)
Operating lease liabilities	(79,827)	(10,240)
Net cash provided by operating activities	<u>31,014,478</u>	<u>13,924,115</u>
Cash flows from investing activities:		
Purchases of investments and assets limited as to use	(10,700,618)	(26,319,382)
Proceeds from sales of investments and assets limited as to use	11,304,837	27,259,128
Contributions and charitable gift/remainder trusts	133,591	201,888
Purchase of property and equipment	(37,568,024)	(14,221,626)
Proceeds from sale of property and equipment	-	24,425,260
Net cash (used in) provided by investing activities	<u>(36,830,214)</u>	<u>11,345,268</u>
Cash flows from financing activities:		
Payment of long-term debt	(4,611,813)	(6,741,391)
Proceeds from issuance of long-term debt	1,360,589	27,014,532
Payment of deferred debt issuance costs	-	(753,598)
Bond refunding	-	(23,837,190)
Principal payments under finance lease obligations	(269,599)	(273,699)
Net payments on lines of credit	-	(451,747)
Proceeds from entrance fees	119,867	1,716,175
Refunds of entrance fees	(2,891,241)	(4,570,283)
Net cash used in financing activities	<u>(6,292,197)</u>	<u>(7,897,201)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(12,107,933)	17,372,182
Cash, cash equivalents and restricted cash, beginning	<u>46,354,189</u>	<u>28,982,007</u>
Cash, cash equivalents and restricted cash, ending	<u>\$ 34,246,256</u>	<u>\$ 46,354,189</u>

See notes to consolidated financial statements

Diakon and Controlled Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of cash, cash equivalents and restricted cash amounts reported in these lines on the consolidated balance sheets:		
Current assets:		
Cash and cash equivalents	\$ 22,239,356	\$ 9,261,958
Assets limited as to use	6,440,747	11,065,998
Assets limited to use, less current portion:		
Other	<u>5,566,153</u>	<u>26,026,233</u>
Total cash, cash equivalents and restricted cash	<u>\$ 34,246,256</u>	<u>\$ 46,354,189</u>

See notes to consolidated financial statements

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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, LLC (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.

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 and operations ceased on the sale date (Note 4).

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.

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

DMG, a Pennsylvania Limited Liability Company, provided medical director and physician services to the Diakon senior living communities. DMG is 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.

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

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

f. Accounts Receivable

Accounts receivable from patients, residents, and clients are reported at estimated net realizable value taking into account estimated credit losses and explicit price concessions. The allowances for estimated credit losses 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 allowances for credit losses and 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 credit loss and 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. 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:

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

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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. No impairment losses were recognized in 2023 or 2022.

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.

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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 nonlease components in its contracts as a single lease component for its leased equipment and property. The nonlease 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 \$219,169 and \$195,475 in 2023 and 2022, 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.

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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, 2023 or 2022.

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, 2023 or 2022.

w. Income Taxes

Diakon and its controlled affiliates are not-for-profit corporations as described in Section 501(c)(3) of the 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, 2020, 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).

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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, 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 (cost) 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 (cost) 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.

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022 was \$5,551,202 and \$5,523,908, respectively.

ee. Changes in Accounting Principles

During June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 (as amended) requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The adoption of ASU No. 2016-13 (as amended) did not have a material effect on the Corporation's results of operations, financial position or cash flows for the years.

During March 2020, the FASB issued 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 adoption of ASU No. 2020-04 (as amended) did not have a material effect on the Corporation's 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 DLSP. 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).

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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 credit losses based on its historical collection experience with the respective class of payors. Such credit losses 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 credit losses 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 prospectively determined rates based on clinical factors determined by the Pennsylvania Department of Health.

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.

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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 2023 or 2022.

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, 2023, there were 550 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 into 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.

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The amount of entrance fees subject to contractual refunds was approximately \$31,675,000 and \$34,355,000 as of December 31, 2023 and 2022, respectively.

The Corporation may receive entrance fee payments prior to the date an independent living resident occupies a living unit. The liability for such payment are included in the refundable entrance fee liability and were \$1,681,532 and \$1,254,507 as of December 31, 2023 and 2022, 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 \$2,563,000 and \$2,373,000 as of December 31, 2023 and 2022, 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 \$2,133,191 and \$2,069,514 for the years ended December 31, 2023 and 2022, 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 \$661,000 and \$649,000 for the years ended December 31, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Senior living services revenue, net:		
Private pay	\$ 42,653,194	\$ 42,099,462
Medicaid	22,799,107	18,201,263
Medicare Part A	6,273,284	6,856,944
Managed care and commercial insurers	6,029,664	5,278,745
Medicare Part B	1,391,723	1,475,939
	<u>\$ 79,146,972</u>	<u>\$ 73,912,353</u>

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

	<u>2023</u>	<u>2022</u>
Nursing care	\$ 47,175,564	\$ 44,840,438
Personal care/assisted living	13,040,867	11,295,393
Independent living	<u>18,930,541</u>	<u>17,776,522</u>
Total	<u>\$ 79,146,972</u>	<u>\$ 73,912,353</u>

Nursing Home Assessment

Pennsylvania nursing providers are subject to a Nursing Home Assessment (the Assessment). The Assessment requires Pennsylvania nursing homes, except for county homes, to pay a fee to the Department of Human Services (DHS) based upon all non-Medicare days, which is included in operating expenses. The DHS makes supplemental payments back to nursing home facilities as a component of the state directed managed care minimum payment rates. The revenue from these payments are included as a component of patient and resident service revenue, net.

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.

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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 impairment losses based on its historical collection experience with the respective class of payors.

The composition of Contract Revenue and Other Fees and Services revenue by major program for the years ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
DCFCM Programs:		
Youth services	\$ 3,660,365	\$ 3,119,111
Permanency services	8,416,320	8,843,765
Family life services	509,470	1,083,237
Community services for seniors	2,262,134	2,186,023
DCFCM pandemic funds	-	111,308
Other DCFCM	-	235,052
	<hr/>	<hr/>
DCFCM program services	14,848,289	15,578,496
HUD	1,892,142	1,914,167
DLSM provider relief funds	1,423,962	10,079,987
	<hr/>	<hr/>
Total contract revenue	<u>\$ 18,164,393</u>	<u>\$ 27,572,650</u>
DCFCM Programs:		
Youth services	\$ 138,066	\$ 123,205
Permanency services	2,112,220	2,226,969
Family life services	7,010,684	6,926,047
Community services for seniors	60,763	48,641
Other DCFCM	100	62,360
	<hr/>	<hr/>
DCFCM total	9,321,833	9,387,222
HUD	1,661,414	1,511,238
DLSM	579,548	661,585
Other	210,794	792,490
	<hr/>	<hr/>
Total other fees and services revenue	<u>\$ 11,773,589</u>	<u>\$ 12,352,535</u>

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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 impairment losses 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 2023 or 2022, or the future unsatisfied performance obligation. The current contract between DHS and SWAN LLC was signed on May 2023 and covers the period of July 2023 through June 2024; therefore, as of December 31, 2023, SWAN LLC has an unsatisfied performance obligation associated with the active contract with DHS of approximately \$47,800,000.

Contract Acquisition Costs

The Corporation has applied the practical expedient provided by FASB Accounting Standards Codification (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:

	2023	2022
Under bond indentures for debt service reserve fund:		
Cash and short-term investments	\$ -	\$ 2,091
Debt service and sinking fund:		
Cash and short-term investments	6,440,747	5,685,324
Construction funds:		
Cash and short-term investments	-	23,514,332

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	<u>2023</u>	<u>2022</u>
Endowment funds:		
Cash and short-term investments	\$ 1,112,221	\$ 1,916,090
Equity funds	10,377,772	9,394,487
Fixed income funds	4,872,181	3,711,292
Donor and other temporarily restricted funds:		
Cash and short-term investments	1,401,760	3,134,279
Equity funds	7,836,227	5,949,014
Fixed income funds	4,074,769	2,935,432
Assets limited to use for HUD reserves:		
Cash and short-term investments	2,820,085	2,663,737
By board for designated purposes:		
Other designated purposes:		
Cash and short-term investments	232,087	179,171
Fixed income funds	182,366	142,097
Statutory minimum liquid reserves:		
Equity funds	3,164,851	3,069,940
Fixed income funds	2,386,351	2,453,968
	<u>\$ 44,901,417</u>	<u>\$ 64,751,254</u>

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

	<u>2023</u>	<u>2022</u>
Cash and short-term investments	\$ 1,424,854	\$ 9,805,865
Equity funds	86,074,936	72,486,123
Fixed income funds	63,901,566	57,189,372
	<u>\$ 151,401,356</u>	<u>\$ 139,481,360</u>

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

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Cash and short-term investments	\$ 13,431,754	7 %	\$ 46,900,889	23 %
Equity funds	107,453,786	55	90,899,564	44
Fixed income funds	75,417,233	38	66,432,161	33
	<u>\$ 196,302,773</u>	<u>100 %</u>	<u>\$ 204,232,614</u>	<u>100 %</u>

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net of expenses	\$ 5,419,405	\$ 792,492	\$ 6,211,897
Net realized gains (losses) on investments	1,265,402	(34,698)	1,230,704
Investment income, net of expenses	6,684,807	757,794	7,442,601
Unrealized gains on investments	13,553,625	-	13,553,625
Unrealized gains on net assets with donor restrictions	-	2,975,380	2,975,380
Total investment return	\$ 20,238,432	\$ 3,733,174	\$ 23,971,606
	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)

4. Land, Buildings and Equipment

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

	2023	2022
Land	\$ 5,193,881	\$ 5,075,099
Land improvements	19,794,153	19,444,417
Buildings	265,158,361	265,200,937
Furniture and equipment	29,131,018	32,185,172
Vehicles	12,372	76,882
	319,289,785	321,982,507
Accumulated depreciation	(196,717,679)	(194,968,245)
	122,572,106	127,014,262
Construction in progress	44,267,190	9,991,640
	\$ 166,839,296	\$ 137,005,902

Depreciation expense for the years ended December 31, 2023 and 2022, was \$13,642,094 and \$13,674,811 respectively.

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Construction in progress as of December 31, 2023 and 2022 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 \$5,907,000 and \$402,000 for the years ended December 31, 2023 and 2022, respectively.

On December 1, 2021, the Corporation sold three senior living retirement communities. A 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 2022.

5. Leases

The Corporation has leases in three asset classes as described in Note 1(l). 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:

	<u>2023</u>	<u>2022</u>
Finance lease costs:		
Amortization	\$ 293,834	\$ 294,041
Interest expense	39,140	29,312
Operating lease cost	793,238	881,863
Short-term lease cost	189,252	173,526
	<u>\$ 1,315,464</u>	<u>\$ 1,378,742</u>

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

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for finance leases	\$ 33,463	\$ 29,312
Operating cash flows for operating leases	839,768	900,242
Financing cash flows for finance leases	275,276	273,699
Right-of-use assets obtained in exchange for new finance lease liabilities	1,397,663	172,031
Right-of-use assets obtained in exchange for new operating lease liabilities	664,252	638,700
Weighted average remaining lease term for financing leases (in years)	4.34	3.35
Weighted average remaining lease term for operating leases (in years)	4.35	3.94

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

	<u>2023</u>	<u>2022</u>
Weighted average discount rates:		
Financing leases	7.03 %	4.27 %
Operating leases	5.84 %	4.56 %

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the consolidated balance sheet are as follows as of December 31, 2023:

	<u>Operating</u>	<u>Finance</u>
2024	\$ 796,736	\$ 536,512
2025	464,070	471,334
2026	229,137	438,161
2027	212,943	332,059
2028	182,360	273,193
Thereafter	<u>297,340</u>	<u>13,596</u>
Total lease payments	2,182,586	2,064,855
Imputed interest	<u>(285,190)</u>	<u>(297,788)</u>
Total lease liability	<u>\$ 1,897,396</u>	<u>\$ 1,767,067</u>

6. Long-Term Debt

The Corporation has established an obligated group (the Obligated Group) comprised of the assets/liabilities and activities of the DLSSM corporate entity, excluding the activities of the following related entities of DLSSM: 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:

	<u>2023</u>	<u>2022</u>
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	\$ 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 79% of 1 Month SOFR plus a spread rate (5.09% as of December 31, 2023).	1,578,164	217,575

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	<u>2023</u>	<u>2022</u>
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	\$ 7,155,000
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 interest rate, that uses an interest rate swap to fix the rate at 3.63% through October 1, 2030 .	5,953,000	6,490,000
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%.	22,265,000	23,310,000
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%.	58,235,000	60,685,000
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.	12,242,793	12,613,862

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	<u>2023</u>	<u>2022</u>
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 fixed rate of 3.54% through April 1, 2024; after which time the Corporation may choose at each Reset date the fixed rate or a floating rate of 2% plus 80% of 1 Month SOFR plus a spread rate. The note was interest only through March 31, 2019. Effective April 1, 2019, principal installments of \$17,395 plus applicable interest, are payable monthly. Final maturity of the note is March 1, 2044.	\$ 4,227,062	\$ 4,435,806
	138,811,019	142,062,243
Less current maturities of bonds and mortgages payable	(4,805,479)	(4,611,812)
Unamortized debt issuance costs	(2,612,447)	(2,831,616)
Unamortized premium and discount	4,069,886	4,611,291
Total	<u>\$ 135,462,979</u>	<u>\$ 139,230,106</u>

In September 2022, DLSSM 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 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.

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The following is a summary of scheduled annual maturities of long-term debt as of December 31, 2023:

	Scheduled Maturities
Years ending December 31:	
2024	\$ 4,805,479
2025	5,027,400
2026	5,251,581
2027	5,487,032
2028	5,744,756
Thereafter	112,494,771
	<u>\$ 138,811,019</u>

The amount of cash paid for interest (including the net cost of the interest rate swap agreement and letter of credit support fees) was \$6,104,353 and \$6,510,855 for the years ended December 31, 2023 and 2022, respectively. There was capitalized interest of \$1,286,500 in 2023 and \$360,935 in 2022.

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

	2023	2022
DLSM Obligated Group	4.33 %	4.11 %
Obligations outside the Obligated Group	3.18	3.17
Combined	4.19	3.99

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 1 Month SOFR (rounded upwards to the nearest 1/16th) plus 2.75% and a spread adjustment (8.24% as of December 31, 2023). Amounts ranging from \$0 to \$3,460,613 were outstanding on the line of credit for various periods during 2023 and 2022. There were no outstanding borrowings on the line of credit as of December 31, 2023 or 2022. The bank line of credit is secured on a parity basis with the Obligated Group's outstanding bonds. In addition to the line of credit, DLSM had unused standby 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 \$3,416,000 for both years ended December 31, 2023 and 2022.

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 1 Month SOFR (rounded upwards to the nearest 1/16th) plus 2.35% and a spread adjustment (7.84% as of December 31, 2023). There were no amounts outstanding or borrowed on the line of credit during 2023 and 2022.

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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 - Swap agreements are classified as over the counter derivative instruments that are measured at fair value 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.

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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, 2023			
	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**				\$ 13,431,754
Fixed income funds:				
Short-term	\$ 23,303,928	\$ -	\$ -	23,303,928
Immediate term	52,113,305	-	-	52,113,305
Equity funds:				
International	43,841,144	-	-	43,841,144
Large cap	55,661,062	-	-	55,661,062
Small cap	7,951,580	-	-	7,951,580
Funds held in trust by others and beneficial interest in trust	-	-	37,532,794	37,532,794
Total assets	\$ 182,871,019	\$ -	\$ 37,532,794	\$ 233,835,567
Asset (Liability):				
Interest rate swap agreement	\$ -	\$ 42,566	\$ -	\$ 42,566

** 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.

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	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**				\$ 46,900,889
Fixed income funds:				
Short-term	\$ 21,656,884	\$ -	\$ -	21,656,884
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	<u>\$ 157,331,725</u>	<u>\$ -</u>	<u>\$ 34,516,826</u>	<u>\$ 238,749,440</u>
Asset (Liability):				
Interest rate swap agreement	<u>\$ -</u>	<u>\$ 70,410</u>	<u>\$ -</u>	<u>\$ 70,410</u>

** 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:

	2023	2022
Balance, beginning of year	\$ 34,516,826	\$ 43,394,004
Change in valuation, net distributions	3,015,968	(8,877,178)
Balance, end of year	<u>\$ 37,532,794</u>	<u>\$ 34,516,826</u>

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 1-Month Fallback to LIBOR plus 0.95% 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, 2023 and 2022. The net cash paid or received under the swap agreement is recognized as an adjustment to interest expense.

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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:

	<u>2023</u>	<u>2022</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 79,653,684	\$ 103,347,436
Interest cost	3,795,906	2,600,304
Change in assumptions	1,550,403	(21,285,155)
Actuarial loss	296,151	219,263
Benefit payments	<u>(5,422,585)</u>	<u>(5,228,164)</u>
Benefit obligation at end of year	<u>79,873,559</u>	<u>79,653,684</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	54,857,054	66,563,064
Actual return on plan assets, net of expenses	6,018,645	(6,477,846)
Benefit payments	<u>(5,422,585)</u>	<u>(5,228,164)</u>
Fair value of plan assets at end of year	<u>55,453,114</u>	<u>54,857,054</u>
Funded status	<u>\$ (24,420,445)</u>	<u>\$ (24,796,630)</u>

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

	<u>2023</u>	<u>2022</u>
Net actuarial loss	\$ (27,111,882)	\$ (28,659,795)

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:

	<u>2023</u>	<u>2022</u>
Net estimated gain, total recognized in net assets without donor restrictions	\$ 1,547,916	\$ 11,584,094

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 \$956,226.

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

	<u>2023</u>	<u>2022</u>
Interest cost	\$ 3,795,906	\$ 2,600,304
Expected return on plan assets	(3,622,319)	(4,437,594)
Amortization of net loss	998,144	1,433,643
Net periodic pension costs (benefit), nonservice component	<u>\$ 1,171,731</u>	<u>\$ (403,647)</u>
Cost (benefit)	\$ 1,171,731	\$ (403,647)
Benefits paid	5,422,585	5,228,164

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

	<u>2023</u>	<u>2022</u>
Discount rate	4.74 %	4.94 %

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

	<u>2023</u>	<u>2022</u>
Discount rate	4.94 %	2.59 %
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, 2023 and 2022, the Corporation has invested approximately 24% and 30%, respectively, of the pension plan assets into alternative investments, including a special situations fund (33%), a core property real estate fund (45%), an energy debt fund (2%), and a vista collective investment trust (20%) as of December 31, 2023. 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.

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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:

Asset Category	2023		2022	
	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	\$ 6,286,265	\$ 6,286,265	\$ 5,435,517	\$ 5,435,517
Small/mid cap	2,086,747	2,086,747	1,928,729	1,928,729
World Equity Ex-U.S.	12,051,044	12,051,044	10,978,572	10,978,572
Extended market index fund	2,099,320	2,099,320	1,924,404	1,924,404
S&P 500 index fund	7,792,308	7,792,308	6,803,880	6,803,880
Emerging markets equity fund	1,562,471	1,562,471	1,503,154	1,503,154
Fixed income funds:				
High yield bond fund	2,019,911	2,019,911	1,960,998	1,960,998
Emerging markets debt fund	2,077,900	2,077,900	2,012,863	2,012,863
Core fixed income fund	6,161,595	6,161,595	5,953,027	5,953,027
Plan assets valued at NAV:				
Core property collective investment trust	5,946,815	-	7,871,692	-
Special situations collective fund	4,404,888	-	4,036,836	-
Energy debt fund	304,974	-	744,018	-
Vista collective investment trust	2,658,876	-	3,703,364	-
Total	\$ 55,453,114	\$ 42,137,561	\$ 54,857,054	\$ 38,501,144

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, 2023 or 2022. 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.

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Plan Assets Measured at Fair Value Based on Net Asset Value (NAV) Per Share as of December 31, 2023				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Core property collective investment trust	\$ 5,946,815	\$ -	Daily	1 day
Special situations collective fund	4,404,888	-	Daily	1 day
Energy debt fund	304,974	-	Daily	1 day
Vista collective investment trust	2,658,876	-	Daily	1 day
Total	<u>\$ 13,315,553</u>	<u>\$ -</u>		

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	<u>\$ 16,355,812</u>	<u>\$ -</u>		

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

Asset Category	2023	2022
Equity funds	57 %	52 %
Fixed income funds	19	18
Alternative investments	24	30
Total	<u>100 %</u>	<u>100 %</u>

The Corporation does not expect to make any contributions to its pension plan in 2024.

The estimated benefit payments, which reflect expected future service as of December 31, 2023, as appropriate, are as follows:

Years ending December 31:	
2024	\$ 5,781,520
2025	5,773,262
2026	5,757,745
2027	5,734,868
2028	5,734,415
2029-2033	27,689,325

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The Corporation also has a defined contribution plan for certain employees. Contributions recognized as expense for this plan were \$224,497 and \$225,642 for the years ended December 31, 2023 and 2022, respectively.

11. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Promises to give for DCFCM program activities	\$ 21,760	\$ 21,760
Capital projects for senior living services	549,516	533,228
Senior living services program activities	241,254	275,379
DCFCM program activities	234,763	222,608
Employee assistance and wellness	29,813	22,313
Chaplain activities	27,701	31,916
Other	60,944	84,263
	<u>1,165,751</u>	<u>1,191,467</u>
Subject to the passage of time:		
Charitable remainder trust	1,588,728	1,339,416
Charitable gift annuities	97,626	219,783
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	4,778	4,778
Life insurance gifts	189,637	189,636
	<u>1,880,769</u>	<u>1,753,613</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Support of specific SLS programs	641,590	555,922
Support of specific DCFCM programs	614,285	633,741
Promises to give for senior living benevolent care	2,687	2,687
Charitable gift annuities for senior living benevolent care	38,868	50,302
	<u>1,297,430</u>	<u>1,242,652</u>
Subject to endowment spending policy and appropriation:		
Senior living benevolent care and program activities	16,758,950	13,861,866
Program activities for a specific senior living campus	5,108,687	4,662,037
DCFCM program activities	2,810,082	2,458,395
Employee tuition assistance	714,674	633,913
Scholarships	1,852,277	1,623,515
As defined by donor	156,359	149,871
	<u>27,401,029</u>	<u>23,389,597</u>

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	<u>2023</u>	<u>2022</u>
Funds held in trust by others:		
Subject to appropriation and expenditure when a specified event occurs:		
Staff and resident programs	\$ 160,405	\$ 150,654
General use	35,783,661	33,026,756
	<u>35,944,066</u>	<u>33,177,410</u>
 Total net assets with donor restrictions	 <u>\$ 67,689,045</u>	 <u>\$ 60,754,739</u>

12. Endowments

The Corporation's donor restricted endowment funds, including funds held in perpetuity, were established for the purposes described in Note 11. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

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

Investment and Spending Policies

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. 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.

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 321,268	\$ 24,632,249	\$ 24,953,517
Investment return, net	-	789,594	789,594
Unrealized gains (losses)	-	2,975,380	2,975,380
Contribution	-	1,280,775	1,280,775
Appropriation of endowment assets	-	(979,539)	(979,539)
Other changes:			
Contributions to board designated, net	93,185	-	93,185
Endowment end of year	<u>\$ 414,453</u>	<u>\$ 28,698,459</u>	<u>\$ 29,112,912</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 412,370	\$ 29,621,747	\$ 30,034,117
Investment return, net	-	588,275	588,275
Unrealized gains (losses)	-	(4,803,858)	(4,803,858)
Contribution	-	390,309	390,309
Appropriation of endowment assets	-	(1,164,224)	(1,164,224)
Other changes:			
Distributions from board designated, net	(91,102)	-	(91,102)
Endowment end of year	<u>\$ 321,268</u>	<u>\$ 24,632,249</u>	<u>\$ 24,953,517</u>

At times, 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, 2023 or 2022.

13. 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 \$225,000 and \$500,000 as of December 31, 2023 and 2022, respectively. 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, 2023 and 2022. 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 \$936,000 and \$1,498,000 as of December 31, 2023 and 2022, 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 \$1,500,000 surety bond to secure future obligations under the terms of this self-insured program.

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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 \$683,000 and \$433,000 as of December 31, 2023 and 2022, respectively, and are reported within the accounts payable and accrued expenses caption on the consolidated balance sheets.

14. 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 22,239,356	\$ 9,261,958
Accounts receivable:		
Patients and residents	7,006,753	7,069,824
Statewide Adoption and Permanency Network	5,502,851	12,126,420
Other client services	4,275,238	4,354,057
Estimated third-party payor settlements	47,419	439,044
Investments	<u>151,401,356</u>	<u>139,481,360</u>
Total	<u>\$ 190,472,973</u>	<u>\$ 172,732,663</u>

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 Investment Committee of the Diakon board of directors. The Investment Committee, including members of management, meets regularly with 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 was \$23,000,000 for the years ended December 31, 2023 and 2022.

15. 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:

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

	Year Ended December 31, 2023									
	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	\$ 36,486,929	\$ 14,815,214	\$ 922,668	\$ 1,346,637	\$ -	\$ 53,571,448	\$ 6,380,346	\$ 163,746	\$ 6,544,092	\$ 60,115,540
Utilities	3,175,878	377,749	550,963	246,536	-	4,351,126	1,096,017	635	1,096,652	5,447,778
Maintenance and repairs	3,303,493	147,681	270,103	418,908	-	4,140,185	2,134,586	58,859	2,193,445	6,333,630
Contracted costs	16,362,753	891,256	16,375	68,101,391	-	85,371,775	2,027,384	3,758	2,031,142	87,402,917
Program costs	3,113,878	3,589,683	1,733	307,820	-	7,013,114	63,077	727	63,804	7,076,918
Administrative costs	4,172,371	2,315,294	535,435	1,164,086	-	8,187,186	1,014,120	33,865	1,047,985	9,235,171
Management fee	-	-	-	-	-	-	2,311,601	-	2,311,601	2,311,601
Nursing home assessment	1,046,484	-	-	-	-	1,046,484	-	-	-	1,046,484
Interest	4,140,474	8,839	361,593	-	-	4,510,906	170,592	-	170,592	4,681,498
Depreciation and amortization	11,299,599	246,624	531,747	-	-	12,077,970	1,857,959	-	1,857,959	13,935,929
Total expenses	\$ 83,101,859	\$ 22,392,340	\$ 3,190,617	\$ 71,585,378	\$ -	\$ 180,270,194	\$ 17,055,682	\$ 261,590	\$ 17,317,272	\$ 197,587,466
	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

Diakon and Controlled Affiliates

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

16. 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, 2023 totaled approximately \$17,398,000.

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.

17. Subsequent Events

On March 26, 2024, Diakon and Lutheran Senior Services (LSS), a Missouri benevolent corporation, signed an agreement for LSS to succeed Diakon as the sole corporate member of DLSSM. The Membership Substitution is planned to become effective on or about June 30, 2024, subject to certain regulatory approvals and other pre-closing conditions established pursuant to the agreement. In connection with the Membership Substitution, LSS will make a cash payment to Diakon.

The Corporation has evaluated subsequent events through the April 24, 2024, the date the consolidated financial statements were issued, and determined there are 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, 2023

	Nonobligated Group						Total
	DLSM Obligated Group	Diakon Lutheran Fund	Diakon Child, Family & Community Ministries	Old Main LLC	Other	Elimination Entries	
Assets							
Current assets:							
Cash and cash equivalents	\$ 6,687,461	\$ -	\$ 1,011,704	\$ -	\$ 14,540,191	\$ -	\$ 22,239,356
Assets limited as to use	6,440,747	-	-	-	-	-	6,440,747
Accounts receivable, net:							
Patients and residents	6,952,647	-	-	-	54,106	-	7,006,753
Statewide Adoption and Permanency Network	-	-	-	-	5,502,851	-	5,502,851
Other client services	1,789,761	-	5,437,204	-	-	(2,951,727)	4,275,238
Intercompany	1,553,474	43,319	(117,278)	(219,929)	(1,259,586)	-	-
Estimated third-party payor settlements	50,429	-	(3,013)	-	3	-	47,419
Prepaid expenses and other assets	2,672,709	46,487	96,605	-	183,559	-	2,999,360
Total current assets	26,147,228	89,806	6,425,222	(219,929)	19,021,124	(2,951,727)	48,511,724
Investments	122,126,807	20,316,847	7,504,803	-	1,452,899	-	151,401,356
Assets limited as to use, less current portion:							
Statutory minimum liquid reserves	5,551,202	-	-	-	-	-	5,551,202
Other	22,869,730	3,306,089	3,677,609	-	3,056,040	-	32,909,468
Investment in joint venture	1,417,665	-	-	-	-	-	1,417,665
Land, buildings and equipment, net	158,039,369	-	1,239,810	4,085,126	3,474,991	-	166,839,296
Finance lease right-of-use assets, net	1,478,973	-	286,958	-	47,446	-	1,813,377
Operating lease right-of-use assets	677,107	-	598,126	-	586,363	-	1,861,596
Other assets:							
Receivables from charitable gift annuities	136,494	-	-	-	-	-	136,494
Funds held in trust by others and beneficial interest in trust	28,264,895	9,267,899	-	-	-	-	37,532,794
Swap agreement	42,566	-	-	-	-	-	42,566
Other assets	1,024,865	-	-	-	-	-	1,024,865
Total assets	\$ 367,776,901	\$ 32,980,641	\$ 19,732,528	\$ 3,865,197	\$ 27,638,863	\$ (2,951,727)	\$ 449,042,403

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Balance Sheet
December 31, 2023

	Nonobligated Group						Total
	DLSM Obligated Group	Diakon Lutheran Fund	Diakon Child, Family & Community Ministries	Old Main LLC	Other	Elimination Entries	
Liabilities and Net Assets							
Current liabilities:							
Accounts payable and accrued expenses	\$ 17,926,022	\$ -	\$ 761,521	\$ -	\$ 19,460,510	\$ (2,951,727)	\$ 35,196,326
Provider relief and other funds	-	-	1,189,155	-	-	-	1,189,155
Deposits, patients and residents	238,095	-	-	-	131,208	-	369,303
Estimated third-party payor settlements	518,125	-	-	-	-	-	518,125
Current finance lease liabilities	322,884	-	84,245	-	20,193	-	427,322
Current operating lease liabilities	500,855	-	126,881	-	179,256	-	806,992
Current maturities of long-term debt	4,216,000	-	-	208,744	380,735	-	4,805,479
Total current liabilities	23,721,981	-	2,161,802	208,744	20,171,902	(2,951,727)	43,312,702
Pension liability	24,420,445	-	-	-	-	-	24,420,445
Deferred revenue, entrance fee agreements	57,970,780	-	-	-	-	-	57,970,780
Refundable entrance fee liability	16,849,115	-	-	-	-	-	16,849,115
Other long-term liabilities	1,119,666	-	-	-	4,120	-	1,123,786
Long-term financing lease liabilities	1,112,643	-	202,347	-	24,755	-	1,339,745
Long-term operating lease liabilities	211,781	-	471,699	-	406,924	-	1,090,404
Long-term debt, less current maturities and debt issuance costs	120,412,950	-	-	4,009,559	11,040,470	-	135,462,979
Total liabilities	245,819,361	-	2,835,848	4,218,303	31,648,171	(2,951,727)	281,569,956
Net assets (deficit):							
Without donor restrictions	70,036,128	20,370,790	13,954,476	(353,106)	(4,224,886)	-	99,783,402
With donor restrictions	51,921,412	12,609,851	2,942,204	-	215,578	-	67,689,045
Total net assets (deficit)	121,957,540	32,980,641	16,896,680	(353,106)	(4,009,308)	-	167,472,447
Total liabilities and net assets (deficit)	\$ 367,776,901	\$ 32,980,641	\$ 19,732,528	\$ 3,865,197	\$ 27,638,863	\$ (2,951,727)	\$ 449,042,403

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2023

	Nonobligated Group						Elimination Entries	Total
	DLSM Obligated Group	Diakon Lutheran Fund	Diakon Child, Family & Community Ministries	Old Main LLC	Other	Subtotal		
Operating revenues, gains and other support:								
Patient and resident service revenue, net	\$ 79,146,524	\$ -	\$ -	\$ -	\$ 448	\$ 79,146,972	\$ -	\$ 79,146,972
Amortization of entrance fees	8,621,002	-	-	-	-	8,621,002	-	8,621,002
Contract revenue	1,423,962	-	15,612,009	-	1,892,142	18,928,113	(763,720)	18,164,393
Grants from affiliates	1,110,200	-	327,401	420,443	-	1,858,044	(1,858,044)	-
Other fees and services	1,297,011	-	9,321,833	13,347	1,661,421	12,293,612	(520,023)	11,773,589
Statewide Adoption and Permanency Network revenue	-	-	-	-	74,898,114	74,898,114	-	74,898,114
Investment income, net of expenses	5,806,043	516,409	310,638	-	51,717	6,684,807	-	6,684,807
Income from trusts	1,219,641	362,881	-	-	-	1,582,522	-	1,582,522
Contributions and bequests	242,767	7,781	103,406	-	1,080	355,034	-	355,034
Net assets released from restrictions, operations	1,117,174	96,396	246,321	-	24,012	1,483,903	-	1,483,903
Gain on disposal of assets	685	-	-	-	-	685	-	685
Gain on insurance proceeds	-	-	4,360	-	-	4,360	-	4,360
Total operating revenues, gains and other support	99,985,009	983,467	25,925,968	433,790	78,528,934	205,857,168	(3,141,787)	202,715,381
Expenses								
Salaries and wages	24,281,532	-	11,186,406	-	1,601,111	37,069,049	-	37,069,049
Employee benefits	5,668,171	-	3,323,878	-	389,983	9,382,032	-	9,382,032
Other expenses	47,370,301	1,476,497	10,201,594	68,063	1,675,329	60,791,784	(3,141,787)	57,649,997
Other expenses, Statewide Adoption and Permanency Network	-	-	-	-	73,822,477	73,822,477	-	73,822,477
Nursing home assessment	1,046,484	-	-	-	-	1,046,484	-	1,046,484
Interest	4,140,474	-	8,839	170,591	361,594	4,681,498	-	4,681,498
Depreciation and amortization	12,942,265	-	246,624	215,296	531,744	13,935,929	-	13,935,929
Total expenses	95,449,227	1,476,497	24,967,341	453,950	78,382,238	200,729,253	(3,141,787)	197,587,466
Operating income (loss)	4,535,782	(493,030)	958,627	(20,160)	146,696	5,127,915	-	5,127,915
Nonoperating income (loss):								
Net periodic pension benefit, nonservice component	(995,969)	-	(175,762)	-	-	(1,171,731)	-	(1,171,731)
Unrealized losses on investments	10,749,422	2,375,869	304,002	-	124,332	13,553,625	-	13,553,625
Total nonoperating income (loss)	9,753,453	2,375,869	128,240	-	124,332	12,381,894	-	12,381,894
Excess (deficit) of operating revenues, gains and other support over expenses	14,289,235	1,882,839	1,086,867	(20,160)	271,028	17,509,809	-	17,509,809
Other changes:								
Pension-related changes other than net periodic pension benefit	1,547,916	-	-	-	-	1,547,916	-	1,547,916
Increase in fair value of swap agreement	(27,844)	-	-	-	-	(27,844)	-	(27,844)
Net assets released from restrictions, capital	47,812	-	10,471	-	-	58,283	-	58,283
Transfers of net assets	(4,060,671)	-	-	-	4,060,671	-	-	-
Total other changes	(2,492,787)	-	10,471	-	4,060,671	1,578,355	-	1,578,355
Increase (decrease) in net assets (deficit) without donor restrictions	11,796,448	1,882,839	1,097,338	(20,160)	4,331,699	19,088,164	-	19,088,164

Diakon and Controlled Affiliates

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

Year Ended December 31, 2023

	Nonobligated Group					Subtotal	Elimination Entries	Total
	DLSM Obligated Group	Diakon Lutheran Fund	Diakon Child, Family & Community Ministries	Old Main LLC	Other			
Net assets with donor restrictions:								
Contributions and bequests	\$ 1,415,749	\$ 1,200	\$ 138,670	\$ -	\$ 60,944	\$ 1,616,563	\$ -	\$ 1,616,563
Investment income, net of expenses	592,353	84,307	74,616	-	6,518	757,794	-	757,794
Unrealized losses on investments	2,266,902	384,458	298,629	-	25,391	2,975,380	-	2,975,380
Net assets released from restrictions, operations	(1,117,174)	(96,396)	(246,321)	-	(24,012)	(1,483,903)	-	(1,483,903)
Net assets released from restrictions, capital	(47,812)	-	(10,471)	-	-	(58,283)	-	(58,283)
Change in beneficial interest in trust	249,312	-	-	-	-	249,312	-	249,312
Decrease in fair value of funds held in trust by others	2,138,499	738,944	-	-	-	2,877,443	-	2,877,443
Decrease in net assets with donor restrictions	5,497,829	1,112,513	255,123	-	68,841	6,934,306	-	6,934,306
Increase (decrease) in net assets (deficit)	17,294,277	2,995,352	1,352,461	(20,160)	4,400,540	26,022,470	-	26,022,470
Net assets (deficit), beginning	104,663,263	29,985,289	15,544,219	(332,946)	(8,409,848)	141,449,977	-	141,449,977
Net assets (deficit), ending	\$ 121,957,540	\$ 32,980,641	\$ 16,896,680	\$ (353,106)	\$ (4,009,308)	\$ 167,472,447	\$ -	\$ 167,472,447

Diakon and Controlled Affiliates

Schedule of Consolidating Information, Statement of Cash Flows
Year Ended December 31, 2023

	Nonobligated Group						
	DLSM Obligated 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)	\$ 17,294,277	\$ 2,995,352	\$ 1,352,461	\$ (20,160)	\$ 4,400,540	\$ -	\$ 26,022,470
Adjustments to reconcile increase (decrease) in net assets (deficit) to net cash provided by (used in) operating activities:							
Net realized (gains) losses on investments	(1,259,856)	33,622	(3,701)	-	(769)	-	(1,230,704)
Net unrealized losses on investments	(13,016,324)	(2,760,327)	(602,631)	-	(149,723)	-	(16,529,005)
Depreciation and amortization	12,942,265	-	246,624	215,296	531,744	-	13,935,929
Amortization of debt issuance costs	170,005	-	-	14,808	34,356	-	219,169
Decrease in pension liability	(376,185)	-	-	-	-	-	(376,185)
Amortization of bond premium	(541,405)	-	-	-	-	-	(541,405)
Amortization of entrance fees	(8,621,002)	-	-	-	-	-	(8,621,002)
Proceeds from entrance fees	11,560,919	-	-	-	-	-	11,560,919
Change in funds held in trust by others and beneficial interest in trust	(2,277,024)	(738,944)	-	-	-	-	(3,015,968)
Loss on fair value of swap agreement	27,844	-	-	-	-	-	27,844
Gains on disposal of assets	(685)	-	-	-	-	-	(685)
Variable lease adjustments	(35,483)	-	(10,104)	-	-	-	(45,587)
Changes in assets and liabilities:							
Accounts receivable and estimated third-party payor settlements	7,488,564	(295,367)	(1,947,607)	(1,200)	2,669,419	(736,847)	7,176,962
Prepaid expenses and other current assets	220,583	30,557	(50,251)	-	14,465	-	215,354
Operating lease right-of-use assets	441,293	-	63,509	-	(472,095)	-	32,707
Other assets	(174,746)	-	-	-	-	-	(174,746)
Accounts payable, accrued expenses and other liabilities	(3,593,539)	-	(375,239)	-	5,705,784	736,847	2,473,853
Deposits, patients and residents	(40,068)	-	-	-	4,453	-	(35,615)
Operating lease liabilities	(488,126)	-	(63,612)	-	471,911	-	(79,827)
Net cash provided by (used in) operating activities	19,721,307	(735,107)	(1,390,551)	208,744	13,210,085	-	31,014,478
Cash flows from investing activities:							
Purchases of investments and assets limited as to use	(8,085,710)	(928,099)	(1,598,876)	-	(87,933)	-	(10,700,618)
Proceeds from sales of investments and assets limited as to use	8,750,597	1,480,648	1,054,927	-	18,665	-	11,304,837
Contributions and charitable gift/remainder trusts	133,591	-	-	-	-	-	133,591
Purchase of property and equipment	(37,221,635)	-	(216,171)	-	(130,218)	-	(37,568,024)
Net cash provided by (used in) investing activities	(36,423,157)	552,549	(760,120)	-	(199,486)	-	(36,830,214)
Cash flows from financing activities:							
Payment of long-term debt	(4,032,000)	-	-	(208,744)	(371,069)	-	(4,611,813)
Proceeds from issuance of long-term debt	1,360,589	-	-	-	-	-	1,360,589
Principal payments under finance lease obligations	(197,587)	-	(52,731)	-	(19,281)	-	(269,599)
Proceeds from entrance fees	119,867	-	-	-	-	-	119,867
Refunds of entrance fees	(2,891,241)	-	-	-	-	-	(2,891,241)
Net cash used in financing activities	(5,640,372)	-	(52,731)	(208,744)	(390,350)	-	(6,292,197)
Net increase (decrease) in cash, cash equivalents and restricted cash	(22,342,222)	(182,558)	(2,203,402)	-	12,620,249	-	(12,107,933)
Cash, cash equivalents and restricted cash, beginning	37,461,079	241,766	3,895,019	-	4,756,325	-	46,354,189
Cash, cash equivalents and restricted cash, ending	\$ 15,118,857	\$ 59,208	\$ 1,691,617	\$ -	\$ 17,376,574	\$ -	\$ 34,246,256

Diakon and Controlled AffiliatesSchedule of Consolidating Information, Statement of Cash Flows
Year Ended December 31, 2023

	Nonobligated Group					Elimination Entries	Total
	DLSM Obligated Group	Diakon Lutheran Fund	Diakon Child, Family & Community Ministries	Old Main LLC	Other		
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	\$ 6,687,461	\$ -	\$ 1,011,704	\$ -	\$ 14,540,191	\$ -	\$ 22,239,356
Assets limited as to use	6,440,747	-	-	-	-	-	6,440,747
Assets limited to use, less current portion:							
Other	1,990,649	59,208	679,913	-	2,836,383	-	5,566,153
Total cash, cash equivalents and restricted cash	<u>\$ 15,118,857</u>	<u>\$ 59,208</u>	<u>\$ 1,691,617</u>	<u>\$ -</u>	<u>\$ 17,376,574</u>	<u>\$ -</u>	<u>\$ 34,246,256</u>

Diakon and Controlled Affiliates

Statutory Minimum Liquid Reserve

December 31, 2023

2024 Budgeted Operating Expenses (All Diakon Facilities that offer a continuum of care)	\$ 104,248,995
Less depreciation expense	<u>12,601,103</u>
Expenses subject to minimum liquid reserve requirement	91,647,892
Percentage (%) of residents subject to residence and care arrangements as of December 31, 2023	<u>56.5%</u>
Expenses subject to minimum liquid reserve requirement	51,781,059
Statutory requirement	<u>10.0%</u>
Statutory minimum liquid reserve requirement	<u>\$ 5,178,106 (a)</u>
Next 12 months debt service payments:	
Principal and interest payments	\$ 9,825,137
Percentage (%) of residents subject to residence and care arrangements as of December 31, 2023	<u>56.5%</u>
Statutory minimum liquid reserve requirement	<u>\$ 5,551,202 (b)</u>
Assets satisfying statutory minimum liquid reserve requirement as of December 31, 2023:	
Cash and cash equivalents	\$ 6,687,461
Investments	127,678,009
Assets limited as to use	<u>6,440,747</u>
	140,806,217
Greater of (a) or (b)	<u>5,551,202</u>
Assets in excess of statutory minimum liquid reserve requirement	<u>\$ 135,255,015</u>

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
Diakon and Controlled Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Diakon and Controlled Affiliates (the Corporation), which comprise the Corporation's consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

New Castle, Pennsylvania
April 24, 2024