

PINNACLE LIVING

a Continuing Care Provider
**5101 Cox Road, Suite 225,
Glen Allen, VA 23060**

PINNACLE ADVANTAGE

Community Based Continuing Care Program

Disclosure Statement For:

Cedarfield

2300 Cedarfield Parkway
Richmond, Virginia 23233-1938

September 2023

This is a disclosure statement intended to comply with the provisions of Section 38.2-4918 through 38.2-4920 of the Code of Virginia of 1950, as amended. The filing of this disclosure statement with the State Corporation Commission of Virginia does not constitute approval, recommendation or endorsement of the community by the State Corporation Commission.

P I N N A C L E
L I V I N G

PINNACLE ADVANTAGE
Community Based Continuing Care Program

CEDARFIELD
DISCLOSURE STATEMENT

September 2023

MISSION STATEMENT

The mission of
Pinnacle Living is
Enriching Life's Journey

TABLE OF CONTENTS

	Page
INTRODUCTION	1
COMMUNITY BASED CONTINUING CARE PROVIDER.....	1
LIQUID ASSETS	2
INDEPENDENT LIVING OCCUPANCY FEES	2
OFFICERS, DIRECTORS, TRUSTEES, MANAGING AND GENERAL PARTNERS, AND CERTAIN PERSONS WHO HOLD EQUITY OR BENEFICIAL INTERESTS	2
BUSINESS EXPERIENCE OF, ACQUISITION OF GOODS AND SERVICES FROM, AND CRIMINAL, CIVIL AND REGULATORY PROCEEDINGS AGAINST THE PROVIDER; ITS OFFICERS, DIRECTORS, TRUSTEES, MANAGING AND GENERAL PARTNERS; CERTAIN PERSONS WHO HOLD EQUITY OR BENEFICIAL INTERESTS; AND THE MANAGEMENT	4
A. BUSINESS EXPERIENCE	4
B. ACQUISITION OF GOODS AND SERVICES.....	5
C. CRIMINAL, CIVIL AND REGULATORY PROCEEDINGS	5
AFFILIATIONS WITH RELIGIOUS, CHARITABLE OR OTHER NOT-FOR-PROFIT ORGANIZATIONS; NOT-FOR-PROFIT TAX STATUS OF PROVIDER	5
A. AFFILIATIONS	5
B. TAX EXEMPT STATUS OF PROVIDER	6
SERVICES PROVIDED BY PINNACLE LIVING UNDER COMMUNITY BASED CONTINUING CARE CONTRACTS	6
A. SERVICES PROVIDED UNDER COMMUNITY BASED CONTINUING CARE CONTRACTS TO PINNACLE ADVANTAGE MEMBERS AT CEDARFIELD	7
B. SERVICES OFFERED THROUGH CONTRACTUAL ARRANGEMENTS	7
FEES REQUIRED OF MEMBERS	8
A. MEMBER ENTRANCE FEE.....	8
B. MEMBER MONTHLY FEE	8
C. REFUNDS	9
D. HEALTH SERVICES PER DIEM FEE	9
HEALTH SERVICES 2023-2024 FEE SCHEDULE.....	10
RESERVE FUNDING.....	11
CERTIFIED FINANCIAL STATEMENTS.....	12
PRO FORMA STATEMENT OF INCOME AND EXPENSES.....	12
EXPLANATION OF MATERIAL DIFFERENCES BETWEEN PRIOR FISCAL YEAR’S PRO FORMA INCOME STATEMENT AND THE ACTUAL RESULTS OF OPERATIONS DURING	

THE PRIOR FISCAL YEAR	12
CRITERIA FOR ENROLLMENT IN PINNACLE ADVANTAGE PROGRAM.....	12
A. MEMBERSHIP.....	12
B. HEALTH SERVICES.....	13
ACCESS TO COMMUNITY BASED SERVICES BY NON-MEMBERS	13
PROCEDURE BY WHICH A MEMBER MAY FILE A COMPLAINT OR DISCLOSE CONCERNS	13
COMMUNITY BASED CONTINUING CARE CONTRACT - PINNACLE ADVANTAGE MEMBERSHIP AGREEMENT	13
PINNACLE ADVANTAGE MEMBERSHIP AGREEMENT	15

Exhibits

Exhibit A – Consolidated Financial Report – May 31, 2023

Exhibit B – Pinnacle Living ProForma Statement of Activities, Balance Sheet and Statement of
Cashflows Years Ending May 31, 2024 - 2028

Exhibit C – Pinnacle Advantage ProForma Statement of Activities, Balance Sheet and Statement of
Cashflows Years Ending May 31, 2024 - 2028

INTRODUCTION

Pinnacle Living has been providing continuing care services in the Commonwealth of Virginia since 1945. Throughout its history Pinnacle Living continues to change and update programs and services to meet the needs and expectations of those we serve. The Pinnacle Advantage community based continuing care program is another step in that evolution as it enhances our ability to make services available to more people in the local community.

COMMUNITY BASED CONTINUING CARE PROVIDER

The community based continuing care provider is Pinnacle Living, a dba for Virginia United Methodist Homes, Inc. Pinnacle Living is a Virginia not-for-profit, non-stock corporation with its business address at *120 Eastshore Drive, Suite 130, Glen Allen, Virginia 23050*, hereinafter (“Pinnacle Living”, “Us”, or “We”).

Since 1996, Pinnacle Living has owned and operated a continuing care retirement community in Henrico County, VA, known as “Cedarfield”. Cedarfield’s address is 2300 Cedarfield Parkway, Richmond, Virginia 23233-1938. Cedarfield is the continuing care retirement community where the Pinnacle Advantage program, which is the subject of this disclosure statement, will be offered.

A complete listing of the communities owned and operated by Pinnacle Living are:

Hermitage Roanoke
*1009 Old Country Club Road
Roanoke, Virginia 24017-0339*

Hermitage Richmond
*1600 Westwood Avenue
Richmond, Virginia 23227-4682*

Cedarfield
*2300 Cedarfield Parkway
Richmond, Virginia 23233-1938*

Pinnacle Living presently provides continuing care at its Cedarfield community under existing CCRC standard contracts. Pinnacle Living no longer accepts residents under CCRC standard contracts at any Pinnacle Living community other than Cedarfield.

Pinnacle Living has one (1) CCRC standard contract holder on the Eastern Shore of Virginia who was a resident of Hermitage Eastern Shore, which was sold to MCAP Eastern Shore, LLC (an affiliate of Commonwealth Senior Living) (“Commonwealth”) on December 14, 2018. The one (1) remaining CCRC standard contract holder has entered an agreement with Commonwealth for assisted living services at the former Hermitage Eastern Shore site, 23610 North Street, Onancock, Virginia 23417-2024. If health care services not available at Commonwealth become necessary, Pinnacle Living will assist the one (1) CCRC standard contract holder with placement at a health care facility on the Eastern Shore of Virginia, where such former resident will enter into an agreement with that health care facility; however, Pinnacle Living will ensure that the monthly rate paid by the one (1) CCRC standard contract holder is consistent with the agreement originally made with Pinnacle Living. If necessary, to

maintain this consistency, Pinnacle Living will supplement payments for health care services for this CCRC standard contract holder.

Pinnacle Living closed the Lydia Roper Home in Norfolk on January 31, 2019.

Pinnacle Living sold Hermitage Northern Virginia on August 1, 2022.

Pinnacle Living is the sole member of Virginia United Methodist Homes of Williamsburg, Inc., d/b/a WindsorMeade Pinnacle Living, (“WindsorMeade”), which owns and operates the following continuing care retirement community:

WindsorMeade
3900 Windsor Hall Drive
Williamsburg, Virginia 23188

LIQUID ASSETS

Except for WindsorMeade, all of Pinnacle Living’s CCRCs are owned and operated by the same corporation and all liquid assets are listed on a single balance sheet. Please see Consolidated Financial Report May 31, 2023, Exhibit A, for the total liquid assets which comprise unrestricted cash and cash equivalents, accounts receivable, accrued income receivable, due from affiliates and unrestricted investments.

INDEPENDENT LIVING OCCUPANCY FEES

The following lists Independent Living average occupancy fees between June 2022 and May 31, 2023 for all of the Continuing Care Retirement Communities owned or operated by Pinnacle Living:

<u>Community Name</u>	<u>Independent Living Occupancy Fees</u>
Cedarfield	94%
Hermitage Roanoke	95%
WindsorMeade Williamsburg	98%

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

The names and business addresses of the officers of Pinnacle Living are:

Christopher P. Henderson, President/CEO
120 Eastshore Drive, Suite 130
Glen Allen, Virginia 23059

Shirley M. Cauffman, Chairperson
120 Eastshore Drive, Suite 130
Glen Allen, Virginia 23059

Kevin W. Bruny, Vice-Chairperson
5001 Libbie Mill East Boulevard, Apt. 581
Richmond, Virginia 23230

Hank C. Coleman, Secretary
*9633 Fernleigh Drive
Richmond, Virginia 23235*

Lisa F. Han, Past Chairperson
*142 W. York Street, Suite 605
Norfolk, Virginia 23510*

The names and addresses of the directors of Pinnacle Living are:

Kevin W. Bruny
*5001 Libbie Mill East Boulevard, Apt. 581
Richmond, Virginia 23230*

Shirley M. Cauffman
*120 Eastshore Drive, Suite 130
Glen Allen, Virginia 23059*

Hank C. Coleman
*9633 Fernleigh Drive
Richmond, Virginia 23235*

Lisa F. Han
*142 W. York Street, Suite 605
Norfolk, Virginia 23510*

Christopher P. Henderson
*120 Eastshore Drive, Suite 130
Glen Allen, Virginia 23059*

Jane G. Hornbeck
*120 Eastshore Drive, Suite 130
Glen Allen, Virginia 23059*

Steven R. Jones
*2457 Bayview Avenue
Virginia Beach, VA 23455*

F. Ellen Netting
*9534 Oldhouse Drive
Richmond, VA 23238*

Lisa M. Williams
*201 North Tryon Street, Suite 3000
Charlotte, North Carolina 28202*

Bishop Sue Hauptert-Johnson – *Ex Officio*
*P.O. Box 5606
Glen Allen, Virginia 2305*

Pinnacle Living has no trustees, no managing or general partners. No person has a ten percent (10%) or greater equity or beneficial interest in Pinnacle Living.

Pinnacle Living has no members.

The Directors of Pinnacle Living are elected as follows:

- Nominated by a Nominating Committee of the Board of Directors
- Elected by the Board of Directors

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

A. BUSINESS EXPERIENCE

Pinnacle Living has substantial experience in the operation of retirement communities. Pinnacle Living has owned and operated the community at *1600 Westwood Avenue, Richmond, Virginia* since 1948; the community at *1009 Old Country Club Road, Roanoke, Virginia* since 1964; and the community at *2300 Cedarfield Parkway, Richmond, Virginia* since 1996.

With its incorporation in 1945, Pinnacle Living embarked on a journey of providing homes and services to seniors throughout the Commonwealth. Throughout these 78 years, the communities have changed, the industry has changed, the expectations of those we serve have changed, but Pinnacle Living’s commitment to those it serves and the enrichment of their lives has remained constant.

The experience in the operation or management of similar communities by the Directors and Officers of Pinnacle Living is as follows:

<u>Director</u>	<u>Member of Board Since</u>
Kevin W. Bruny	2017
Shirley M. Cauffman	2016
Hank C. Coleman	2019
Lisa F. Han	2015
Christopher P. Henderson	2005
Jane G. Hornbeck	2016
Steven R. Jones	2017
F. Ellen Netting	2017
Lisa M. Williams	2023
<u>Officer</u>	<u>Experience</u>
Christopher P. Henderson	President/CEO since 2005 Industry Experience since 1992

Shirley M. Cauffman	Chairperson 2023 Member since 2016
Kevin W. Bruny	Vice Chairperson 2023 Secretary since 2020 Member since 2017
Hank C. Coleman	Secretary since 2023 Member since 2019
Lisa F. Han	Past Chairperson since 2023 Member since 2015

B. ACQUISITION OF GOODS AND SERVICES

Neither Pinnacle Living nor any of its officers or directors has any interest, indirectly or directly, in any professional services firm, association, foundation, trust, partnership, or other legal entity, in which such person has, or which has in such person, a 10% or greater interest and which it is presently intended will or may provide goods, leases or services to Pinnacle Living of a value of \$500.00 or more within any year.

C. CRIMINAL, CIVIL AND REGULATORY PROCEEDINGS

Neither Pinnacle Living nor any of its officers or directors:

- (1) has been convicted of a felony or pleaded nolo contendere to a criminal charge, or been held liable or enjoined in a civil action by final judgement, if the crime or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property or moral turpitude; or
- (2) is subject to an injunctive or restrictive order of a court of record, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including, without limitation, actions affecting a license to operate a home care company, foster care facility, nursing home, retirement home, home for the aged or facility registered under Title 38.2, Chapter 49 of Code of Virginia or similar laws in another state; or
- (3) is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property.

AFFILIATIONS WITH RELIGIOUS, CHARITABLE OR OTHER NOT-FOR-PROFIT ORGANIZATIONS; NOT-FOR-PROFIT TAX STATUS OF PROVIDER

A. AFFILIATIONS

Pinnacle Living is recognized as an independent, not-for-profit, public charity as well as a non-private foundation under §501(c)(3) and §509(a) of the Internal Revenue Code. Pinnacle Living is not subject to the control of the Virginia Annual Conference of The United Methodist Church. Neither the Virginia Annual Conference of The United Methodist Church, the United Methodist Association of

Health and Welfare Ministries, the Department of Health and Welfare Ministries of the Board of Global Ministries of The United Methodist Church, nor The United Methodist Church is, nor will be, responsible for the financial or contractual obligations of Pinnacle Living. Likewise, Pinnacle Living is not, and will not be, responsible for the financial or contractual obligations of the Virginia Annual Conference of The United Methodist Church, the United Methodist Association of Health and Welfare Ministries, the Department of Health and Welfare Ministries of the Board of Global Ministries of The United Methodist Church or The United Methodist Church. The foregoing organizations are related to Pinnacle Living by faith, heritage, history, morals and guiding principles.

Pinnacle Living is the sole member of Virginia United Methodist Homes of Williamsburg, Inc., d/b/a WindsorMeade Pinnacle Living, a Virginia not-for-profit, non-stock corporation which is also recognized as a public charity and non-private foundation under §501(c)(3) and §509(a) of the Internal Revenue Code (“WindsorMeade” or “WindsorMeade Pinnacle Living”). WindsorMeade owns and operates a continuing care retirement community in Williamsburg, Virginia under the names “WindsorMeade Williamsburg” and/or “WindsorMeade”.

WindsorMeade is fully accredited by the Commission on Accreditation of Rehabilitation Facilities/Continuing Care Accreditation Commission (CARF/CCAC). Founded in 1966, CARF/CCAC is an independent, not-for-profit accreditor of health and human service providers.

Pinnacle Living is the sole member of the Hermitage Capital & Reserve Corp. (HCRC), a Virginia not-for-profit, non-stock corporation exempt from taxation under §501(c)(3) of the Internal Revenue Code and a “supporting organization” within the meaning §509(a) of the Internal Revenue Code. HCRC was formed exclusively to support Pinnacle Living, its affiliate WindsorMeade Pinnacle Living and any future affiliates of Pinnacle Living or WindsorMeade Pinnacle Living.

Pinnacle Living is a member of Leading Age Virginia, an affiliate of Leading Age, a national organization which provides support and education primarily to not-for-profit entities serving seniors.

Cedarfield, Hermitage Richmond, and Hermitage Roanoke are fully accredited by the Commission on Accreditation of Rehabilitation Facilities/Continuing Care Accreditation Commission (CARF/CCAC). Founded in 1966, CARF/CCAC is an independent, not-for-profit accreditor of health and human service providers.

B. TAX EXEMPT STATUS OF PROVIDER

Pinnacle Living is a corporation exempt from taxation under Internal Revenue Code §501(c)(3) and is permitted to receive charitable donations which, under ordinary gifting circumstances, are tax deductible to the donor. Under Internal Revenue Code regulations for tax exempt entities, no earnings may be used for the benefit of, nor distributed to, corporate directors, officers or private individuals. All excess funds remain available to be used by Pinnacle Living to further its mission to provide facilities, services and programs to enhance the quality of life for older persons.

SERVICES PROVIDED BY PINNACLE LIVING UNDER COMMUNITY BASED CONTINUING CARE CONTRACTS

A Person who enters into a Pinnacle Advantage community based continuing care agreement with Us is referred to as a “Member”. A Person who is living on Our Cedarfield campus pursuant to a standard agreement for continuing care services is referred to as a “Permanent Resident”.

A. SERVICES PROVIDED UNDER COMMUNITY BASED CONTINUING CARE CONTRACTS TO PINNACLE ADVANTAGE MEMBERS AT CEDARFIELD

Pinnacle Advantage Members while residing off-campus have access to the social, wellness, recreational, dining and cultural services, programs and amenities that are available to Permanent Residents at Cedarfield. Pinnacle Advantage Members avail themselves to these services, programs and amenities on the Cedarfield campus. Pinnacle Advantage Members receive a discounted rate for residential assisted living, memory support and health care services (“Health Services”) and have priority access to these Health Services on campus after Permanent Residents and before non-residents. Although Permanent Residents have priority access on campus, Cedarfield endeavors to maintain sufficient accommodations in Health Services to meet the reasonably anticipated needs of Cedarfield’s Permanent Residents and Pinnacle Advantage Members. Pinnacle Advantage Members are charged an entrance fee and either (i) a monthly fee while living off campus or (ii) a discounted per diem rate fee when a Member requires residential Health Services not delivered at their home. All services, programs and amenities are subject to the terms and limitations of the Pinnacle Advantage Membership Agreement. Except where noted, the social, educational, wellness, recreational and cultural programs and services listed on Schedule A(1) of the Pinnacle Advantage Membership Agreement are without additional charge. The social recreational, cultural and other services listed on Schedule A(2) of the Pinnacle Advantage Membership Agreement are at an additional cost. Clinical Services listed on Schedule A(3) are at an additional cost and are paid to the third-party provider. Members may dine at all dining venues at Cedarfield; the cost of dining is not included in the fees and is charged at the Permanent Resident rate. Please see the Pinnacle Advantage Membership Agreement set forth below for more details and for information.

B. SERVICES OFFERED THROUGH CONTRACTUAL ARRANGEMENTS

Members may access rehabilitation services such as physical, occupational, speech, language and other therapy services on Cedarfield’s campus. Members may also use Our on-site pharmacy, dental and podiatry services on Cedarfield’s campus. These services are provided by third parties who operate independent of Pinnacle Living and with whom the Member will set up all the particulars of their relationship with these providers, including payment for such services. Please see the Pinnacle Advantage Membership Agreement set forth below for more details.

Although subject to change, the current providers of the services offered on Cedarfield’s campus by third parties are as follows:

HealthPRO Heritage
Dustin Schloemp
1 Marcus Drive, Suite 102
Greenville, SC 29615

Dr. Gregory D Cook M.D
2300 Cedarfield Pkwy
Richmond, VA 23233

Remedi SeniorCare – Pharmacy Solutions
10448 Lakeridge Parkway
Ashland, VA 23005

Neshan Michael Vranian, M.D.
636 Walsing Drive
Richmond, VA 23229

Associated Podiatrists
Neeraj Narand, D.P.M.
13510 Midlothian Turnpike
Midlothian, VA 23113

Dr. Frank Shelp
Psychiatrist
13267 S. Anna Lane
Montpelier, VA 23192

Richmond Hearing Doctors
Debra Ogilvie, Au.D
13925 Coalfield Commons Place, Suite 101
Midlothian, VA 23114

Amy Scheer, M.D.
Scheer Healthcare LLC
4515 W Hundred Rd
Chester, VA 23831

Family Dental Practice
Julie Frier Palmore, D.D.S.
900 N Hamilton Street, Suite C
Richmond, VA 23233

Optiques
2821 N. Parham Road, Ste. 106
Richmond, VA 23294

On-Site Dermatology
4700 Exchange Court, Ste. 185
Boca Raton, FL 33431

FEES REQUIRED OF MEMBERS

Members pay an Entrance Fee and a Monthly Fee while residing off campus. When a Member avails himself or herself to Cedarfield's Health Services, the Member will receive a twenty percent (20%) discount off the base per diem rate for the particular level of Health Services.

A. MEMBER ENTRANCE FEE

A single Member pays a one-time First Person Entrance Fee. Joint Members pay a one-time first person and second person Membership Entrance Fees. In order to be eligible for the Second Person Entrance Fee you must be either the spouse of the person paying the First Person Entrance Fee or residing in the same home as the person paying the First Person Entrance Fee. Members pay a one-time Entrance Fee at the time of admission. Entrance Fees are not escrowed and may be used in the payment of operating costs. See the Pinnacle Advantage Membership Agreement for more information concerning Entrance Fees.

Entrance Fees are as follows:

First Person Membership Entrance Fee:	\$ 40,000
Second Person Membership Entrance Fee:	\$ 10,000

B. MEMBER MONTHLY FEE

Monthly Fees are intended to provide for the regularly offered services and conveniences as well as all other financial obligations and objectives of Pinnacle Living including, for example, debt service, costs of operations, maintaining the viability and marketability of the program, maintaining and improving the quality of services provided, enhancing and expanding the communities and programs when expansion is warranted, and maintaining reserves to assist members, where appropriate, who may become unable to meet their financial obligations. Monthly Fees may be adjusted by Pinnacle Living, in its sole discretion, from time to time after thirty days advance written notice. There are no limitations on the amount, or frequency, of increases in the Monthly Fees.

When a Member does not reside on Our Campus, the Member will pay a Monthly Fee. Monthly Fees are payable in advance and will be prorated for periods of less than one month, where appropriate.

Monthly Fees are as follows:

First Person Monthly Fee:	\$ 500
Second Person Monthly Fee:	\$ 100

C. REFUNDS

Members have the right to rescind the Membership Agreement and receive a full refund during the initial seven-day period after executing the Agreement. The amount, if any, of a refund due after the initial seven-day period is determined by the length of time in Membership. Generally, four percent (4%) of the entrance fee is charged as an administrative fee initially and two percent (2%) per month is deducted until the refund becomes zero after forty-eight (48) months.

D. HEALTH SERVICES PER DIEM FEE

When you are receiving Health Services as a Member in one of Our Assisted Living, Memory Support or Health Care households (“Health Services”) or otherwise pursuant to the Membership Agreement, Your Monthly Fee will be suspended and you will pay to Us the per diem Health Services Fee set forth below. The Health Service Fee includes a twenty per cent (20%) discount off the base per diem rate. The Health Service Fee for Assisted Living depends on the particular level of service you are receiving in Assisted Living. Health Service Fees may be adjusted by Pinnacle Living, in its sole discretion, from time to time after thirty days advance written notice. There are no limitations on the amount, or frequency, of increases in the Health Service Fees.

**HEALTH SERVICES
FEE SCHEDULE 2023-2024**

Level of Services	Cedarfield Fee	Pinnacle Advantage Base Fee At (80%)
Assisted Living		
Base Monthly Fee	\$6,430 - \$9,640	\$5,144 - \$7,632
Assisted Living Additional Monthly Services Tier Fees		
Services Tier 1	\$420	\$336
Services Tier 2	\$855	\$684
Services Tier 3	\$1,305	\$1,044
Services Tier 4	\$1,775	\$1,420
Services Tier 5	\$2,260	\$1,808
Services Tier 6	\$2,760	\$2,208
Assisted Living Additional Monthly Medication Management Fees		
Tier 1: 1-2 Medications	\$365	\$292
Tier 2: 3-6 Medications	\$490	\$392
Tier 3: More than 6 Medications	\$610	\$488
	Monthly Fee	Monthly Fee
Memory Support Center	\$8,995	\$7,196
	Daily Fee	Daily Fee
Health Care (Private)	\$470	\$376

Fees are subject to change on thirty (30) days advance written notice.

Over the last five years, the frequency and average dollar amount of increase in monthly per diem fees for Cedarfield Health Services has been:

**Average Dollar Amount of Increase (Decrease)
when Cedarfield per diem Base Fee
Aggregated on a per month basis.**

Frequency	Assisted Living	Memory Support	Health Care
19-20	213	365	304
20-21	76	252	395
21-22	327	280	456
22-23	550	505	852
23-24	783	1,175	1,247

Note: Historically, these changes have occurred in June each year.

Average dollar amount of increase in monthly per diem fees for Pinnacle Advantage Health Services is:

Frequency	Membership Monthly Fee	Assisted Living	Memory Support	Health Care
20-21	0	61	202	316
21-22	0	262	224	365
22-23	0	440	404	682
23-24	0	626	940	998

RESERVE FUNDING

Pinnacle Living does not provide secured or “earmarked” reserve funding or security (including escrow accounts, trust or reserve funds) to guaranty that it will fully perform its obligations under its continuing care contracts. However, Pinnacle Living operates under a business and financial model that it believes to be very conservative and tested through more than 78 years of experience. In addition, Pinnacle Living maintains significant investment reserves. Pinnacle Living follows generally accepted accounting principles for not-for-profit entities. Please refer to Note 1 of the Fiscal 2023 Audited Combined Financial Report for information concerning the accounting treatment by Pinnacle Living of Entrance Fees and earned income from lifecare residents. Annually, Pinnacle Living revalues the liability to annuitants by utilizing actuarial tables. For funds on hand, Pinnacle Living’s Board of Directors establishes an Investment Policy and selects a financial institution to make investment decisions based upon the guidelines in the approved investment policy. Sandy Wiggins, of the Actuarial Consulting Group, serves as the investment consultant. Mr. Wiggins assists the Board as they develop appropriate investment policies. Mr. Wiggins has over 32 years of experience in capital markets.

CERTIFIED FINANCIAL STATEMENTS

Independent auditors annually audit consolidated financial statements for Pinnacle Living and WindsorMeade (Pinnacle Living is the sole member of WindsorMeade). Attached as Exhibit A are certified consolidated financial statements of Pinnacle Living and WindsorMeade including balance sheets, statements of activities and statements of cash flows for the two most recent fiscal years. These consolidated financial statements conform to generally accepted accounting principles and have been certified by an independent certified public accountant, whose opinion is also included.

PRO FORMA STATEMENT OF INCOME AND EXPENSES

Exhibit B of this Disclosure is the pro forma statement of income and expenses for Pinnacle Living for fiscal years ending May 31, 2024 - 2028. Exhibit C of this Disclosure is the pro forma statement of income and expenses projected for the Pinnacle Advantage program for fiscal years ending May 31, 2024 - May 31, 2028. The pro forma statements of income and expenses are developed as part of Pinnacle Living's annual budgeting process. Expected income from monthly fees is estimated based on expected occupancy and membership levels each year.

Expenses represent staffing and anticipated changes at present cost levels with a scheduled cost of living increase as well as expected utilization of the health services by members.

In addition, the major assumptions upon which this pro forma statement is based include maintaining, at a minimum, current occupancy in existing facilities and the absence of material, unanticipated change in the cost of services, energy, and other basic requirements beyond an allowance for inflation. Interest expense for Pinnacle Living follows the Series 2012, 2017 and 2019A Senior Bonds principal and interest schedule as outlined in the offering statement. Investment income assumes interest earned at 3%.

EXPLANATION OF MATERIAL DIFFERENCES BETWEEN PRIOR FISCAL YEAR'S PRO FORMA INCOME STATEMENT AND THE ACTUAL RESULTS OF OPERATIONS DURING THE PRIOR FISCAL YEAR

Fiscal year ended May 31, 2023 ("FY2023") – The Pinnacle Advantage program began in January 2019. As of May 31, 2023, the program had thirty-five (35) members. For FY2023, Pinnacle Advantage produced total operating revenue of \$300,621 and total operating expenses of \$143,155. Non-operating charges accounts for \$504 in banking fees. The overall result is a surplus to change in net assets of \$156,962. This amount is higher than the FY2023 Proforma primarily due to amortization of entrance fees.

CRITERIA FOR ENROLLMENT IN PINNACLE ADVANTAGE PROGRAM

A. MEMBERSHIP

1. A minimum age of sixty-two (62) is required at the time of application.
2. At the time of acceptance to the Pinnacle Advantage program, the applicant must meet Pinnacle Living's standards for living independently. These standards include:
 - a. exhibiting the ability to live at home without assistance;

- b. exhibiting the ability to perform activities of daily living, handle personal affairs, maintain reasonable mental, physical and emotional behavior;
 - c. demonstrating the likelihood of maintaining independence for an appropriate amount of time given the financial design and purposes of the Pinnacle Advantage program;
 - d. securing the approval of the applicant's physician and Cedarfield's Interdisciplinary Care Team.
3. The applicant must demonstrate the ability to meet the cost of care.
 4. Pinnacle Living may refuse an application on the basis that approval of the application may interfere with the providing of the proper level of services to Permanent Residents.

B. HEALTH SERVICES

1. At the time of admission to any Health Services, the Member must provide information in order that Cedarfield may determine the level of care the Member requires.
2. The Member must secure the approval of the Member's physician and Cedarfield's Interdisciplinary Care Team.

ACCESS TO COMMUNITY BASED SERVICES BY NON-MEMBERS

Pinnacle Living does not offer its services to persons who do not have an agreement with Pinnacle Living. Invited guests may register and visit, subject to Cedarfield's policies and procedures.

PROCEDURE BY WHICH A MEMBER MAY FILE A COMPLAINT OR DISCLOSE CONCERNS

A Member may file a complaint or disclose any concern, in writing, as follows:

1. The complaint or concern should first be submitted in writing to Cedarfield Business Office Director who will provide a written response within fifteen (15) days.
2. In the event the Member's complaint or concern is not resolved by the Cedarfield Business Office Director within such fifteen (15) day period, the Member may submit the complaint or concern in writing to the Executive Director who will provide a written response within fifteen (15) days.
3. In the event the Member's complaint or concern is not resolved by the Executive Director within such fifteen (15) day period, the Member may submit the complaint or concern to the appropriate ombudsman.

COMMUNITY BASED CONTINUING CARE CONTRACT - PINNACLE ADVANTAGE MEMBERSHIP AGREEMENT

Our Pinnacle Advantage Membership Agreement is included with this Disclosure Statement and is incorporated herein. Please review the Pinnacle Advantage Membership Agreement for more particulars of the Program as the terms of the Membership Agreement will ultimately cover the terms of Our relationship.

Cedarfield

PINNACLE LIVING

**PINNACLE ADVANTAGE
MEMBERSHIP AGREEMENT**

September 2023

**TABLE OF CONTENTS
PINNACLE ADVANTAGE
MEMBERSHIP AGREEMENT**

	Page
I.INTRODUCTION.....	18
II.MEMBERSHIP.....	19
A. ACCEPTANCE FOR MEMBERSHIP.....	19
B. DOCUMENTS.....	19
C. MEMBERSHIP POLICIES	19
III.SERVICES.....	19
A. SERVICES FOR MEMBER.....	19
1) Pinnacle Advantage Services at Cedarfield:.....	19
2) Cedarfield Health Services	20
3) Access to Health Services.....	21
4) Transfer within Health Services.	22
5) Reassignment by IDC Team.....	22
B. CEDARFIELD INDEPENDENT LIVING	22
C. CHANGE IN SCOPE OF SERVICES	22
IV.FEES AND COSTS	22
A. MEMBERSHIP ENTRANCE FEE	22
B. MONTHLY FEE OR HEALTH SERVICES FEE	23
1) Monthly Fee.....	23
2) Health Services Per Diem Fee	23
3) Limitations of Services.....	24
C. PAYMENT AND EXCESS COSTS	24
D. ADJUSTMENT OF MONTHLY FEE AND HEALTH SERVICES FEE.....	24
E. NATURE OF PAYMENTS.....	24
V.ENDING THE AGREEMENT	24
A. TERMINATION.....	24
1) Termination by Member.	24
2) Termination by Cedarfield.....	25
3) Termination by Member’s Death.	25
B. REFUNDS	25
1) Termination within Adjustment Period	25

2) Payment of refunds	26
3) Termination by Member	26
4) Termination by Cedarfield.....	26
5) Joint Members	26
VI.INSURANCE	26
A. MEMBER’S OBLIGATON TO CARRY MEDICAL INSURANCE	26
VII.MISCELLANEOUS.....	27
A. JOINT AND SEVERAL LIABILITY OF JOINT MEMBERSHIP	27
B. ESTABLISHING JOINT MEMBERSHIP	27
C. FINANCIAL REQUIREMENTS	28
D. DECISIONS REGARDING TRANSFER OF MEMBER	28
E. FINANCIAL OBLIGATIONS AND SUBSIDIES	28
F. PERSONAL REPRESENTATIVE FOR INCAPACITY.....	29
G. LOSS OR DAMAGE TO PROPERTY OR PERSON	29
H. ENTIRE AGREEMENT.....	30
I. SEVERABILITY	30
J. GOVERNING LAW, COSTS OF ENFORCEMENT AND NOTICE.....	30
K. NON-WAIVER OF BREACH	30
L. NO OWNERSHIP INTEREST.....	30
M. ASSIGNABILITY	30
N. GENERAL TERMS WHEN RESIDING IN HEALTH SERVICES	31
O. LOSS OR DAMAGE TO PROPERTY OR PERSON	32
Schedule A (1)	34
Schedule A (2)	35
Schedule A (3)	36
Schedule B	37
Schedule C	38
Schedule D (1)	39
Schedule D (2)	40
Schedule E (1).....	41
Schedule E (2).....	42
Schedule F (1).....	43
Schedule F (2).....	44



PINNACLE LIVING

**PINNACLE ADVANTAGE
MEMBERSHIP AGREEMENT**

This is an Agreement between _____ (either “Member(s)”, “You” or “Your”) whose current address is _____ and PINNACLE LIVING (either “Our”, “We” or “Us”); all services under this Agreement will be provided at Our Cedarfield Community (“Cedarfield” or “Community”). (If two people sign this Agreement as Members, this is a Joint Membership Agreement, and the term “You” shall refer to each person individually and to both people together, as the context may dictate).

I. INTRODUCTION

We are a Virginia, non-stock, not-for-profit corporation operating a continuing care retirement community on a 90 acre campus in Henrico County off Three Chopt Road at 2300 Cedarfield Parkway known as Cedarfield (“Campus”). We are exempt from taxation under Internal Revenue Code § 501(c)(3). The Community has various health and wellness amenities, services, programs and activities designed for retired persons, including several dining venues. The Community offers residential health services including assisted living services and memory support services licensed by the Virginia Department of Social Services and health care services licensed by the Virginia Department of Health (“Health Services”). Independent living cottages and apartments are available under a continuing care retirement community residency agreement. We seek to broaden the services that We provide to retired persons by this Community Based Continuing Care program of membership called “Pinnacle Advantage” whereby You are eligible to receive certain services and enjoy amenities at Cedarfield as outlined in this Membership Agreement while You reside in Your home away from Our Campus (“Program”). Further, the Program provides a path for transitioning Your residence to Our Campus especially in the case when residential health services are desired by You.

Pinnacle Advantage gives You access to certain amenities and services on Our Campus and provides You with discounted rates and priority admittance to Our health services over non-residents of Cedarfield.

We consider all applications for membership without regard to race, religion, national origin or ancestry. A minimum age of 62 is required at the time of application. Persons accepted into the Program are “Pinnacle Advantage Members” or “Members.”

We are pleased that We are able to make this Agreement covering the terms of Your Membership in the Pinnacle Advantage Program.

II.MEMBERSHIP

A. ACCEPTANCE FOR MEMBERSHIP

We have an application process whereby We conduct an admission and financial assessment review to determine Your eligibility for the Program. You acknowledge that in entering into this Agreement with You, We are relying on all the representations that You make in Your Application for Membership, including but not limited to Your health and financial representations. In addition to the other requirements for membership, You agree that You will provide Us an updated financial disclosure prior to any on Campus residency offered to You under this Agreement.

B. DOCUMENTS

You acknowledge receipt of a copy of the *Application for Membership* and the *Disclosure Statement*. The Application for Membership (including the financial, health and related documents submitted by You as part of the application process) and the Disclosure Statement are, by this reference, made part of this Agreement.

C. MEMBERSHIP POLICIES

You agree to comply with the terms of this Agreement and Our policies and procedures, as they may be modified by Us from time to time. You also agree to provide updated health and financial information and documentation to Us from time to time upon Our request and to inform Us immediately of any material change in Your physical, financial or mental condition.

III.SERVICES

A. SERVICES FOR MEMBER

We agree to provide or make available to You the Services set forth in this Section III A, subject to the conditions set forth in this Agreement.

- 1) *Pinnacle Advantage Services at Cedarfield:*

Social, Educational, Recreational and Cultural Programs On and Off Campus - Members enjoy all social, educational, recreational, and cultural programs and amenities on Campus. See **Schedule A(1)** for Our current offering. Our programs and other offerings change from time to time. There

are no fees for use of such on-campus services and amenities that are higher than the fees charged to persons who have a continuing care retirement community residency agreement with Cedarfield (“Permanent Residents”). When there are no charges or additional fees for Permanent Residents those amenities and services are free of additional charge for You. If a Permanent Resident has an additional charge You will pay the same amount (see **Schedule A(2)**).

Wellness Services - Your Membership Fee includes an annual wellness consultation with Our registered nurse and social worker. You may access this service by making an appointment with Cedarfield.

Clinic Services - For Your convenience, We have arranged for dental, therapy, podiatry and pharmacy services (“Clinic Services”) to be available on Campus. Clinic Services are not delivered by Us and You are responsible for setting up all particulars of Your relationship with these providers including payment for such services. (See, **Schedule A(3)**). We do not require You to use, nor do We endorse, any provider of health care or clinic related services, including the dental, therapy, podiatry and pharmacy services available on Campus. We have arranged for these health related services on Our Campus for the convenience of Our Members and Residents; these providers operate independently of Us and exercise their own professional judgment in the provision of health care services to You, Our other Members and Our Residents.

Dining Services - Access to all Cedarfield dining venues (see **Schedule B**) at Permanent Resident prices.

Dietician Consultation -- Our staff Dietician is available to consult with You at your request. Dietician consultations are conducted on an appointment basis.

Campus Amenities - While on Campus, You will be entitled to use the amenities (such as tennis courts, pools, exercise equipment, etc.) that Cedarfield residents enjoy. Access to Campus amenities is charged the same as it is for Permanent Residents, including no charges when there are no charges to Permanent Residents.

Availability and priority of admittance - Programs and activities are subject to availability and our offerings may change from time to time. Although We anticipate that access will not often be limited, there are a few activities from time to time that result in high demand, in those cases Permanent Residents will enjoy priority access followed by Members.

2) *Cedarfield Health Services* are available to You on Campus upon qualification as provided below. “Health Services” consist of on Campus Assisted Living, Memory Support and Residential Health Care Services. As a Pinnacle Advantage Member, You will receive priority access over non-residents and a twenty per cent (20%) discount off the then current per diem base rate (see Schedule C for current rates).

Health Services -- Assisted Living Accommodations - Assisted Living is designed for persons who are unable to function independently at home but do not need continuous medical supervision. Assisted Living Residents can receive a range of services, depending on need, such as assistance with activities of daily living, meals, housekeeping, increased monitoring of personal status, monitoring of medications, some linen service and assistance with personal laundry. Services included in the per diem rate are listed on **Schedule D(1)** and vary by level of service requested.

You agree to pay for any un-included charges such as those listed on **Schedule D(2)**. If You request assisted living services and Our Interdisciplinary Care Team (“IDC Team”) determines that You require such services You will have priority access over non-residents of Cedarfield to our Assisted Living household. In Assisted Living, You will receive a twenty percent (20%) discount off the then current per diem base rate.

Health Services -- Memory Support Accommodations - Memory Support provides services for persons with cognitive impairment requiring increased security and monitoring. The services include assistance in dressing, self-care and other activities of daily living, assistance in attending meals, increased assistance in housekeeping, increased monitoring of personal status, monitoring of medications, more frequent linen service and assistance with personal laundry. There is an emphasis in Memory Support on recreational therapy and providing resources such as support groups. Services included in the per diem rate are listed on **Schedule E(1)**. You agree to pay for any un-included charges such as those listed on **Schedule E(2)**. If You request Memory Support services and Our IDC Team determines that You require such services, You will have priority access over non-residents of Cedarfield to Our Memory Support household. In Memory Support, You will receive a twenty percent (20%) discount off the then current per diem base rate.

Health Services -- Residential Health Care Services Accommodations. Our health care household provides health care services up to total health care bed care in accordance with the Rules and Regulations for Licensure of Nursing Homes promulgated by the Virginia Department of Health. Health care services generally include all normal and routine services associated with a licensed health care facility. Services included in the per diem rate are listed on **Schedule F(1)**. You agree to pay for any un-included charges such as those listed on **Schedule F(2)**. If You request health care services and Our IDC Team determines that You require such services, You will have priority access over non-residents of Cedarfield to Our Health Care Services Household. While residing in our Health Care Services Household, You will receive a twenty percent (20%) discount off the then current per diem base rate for the assigned residence.

Health Services expansion to Medicare services. Cedarfield is currently in the process of enrolling a limited number of its health care beds into its Medicare program. Cedarfield has no plans presently to enroll in Medicaid. Once Cedarfield has enrolled in Medicare, You may have Your Medicare stay at Cedarfield, subject to availability. In such a case, a separate agreement will need to be entered by You with Us for such a stay.

3) *Access to Health Services.* You will have priority access over non-residents of Cedarfield for acceptance to Health Services. Permanent Residents have first priority to all Health Services. Cedarfield endeavors to maintain sufficient accommodations in Health Services to meet the reasonably anticipated needs of Cedarfield Permanent Residents and Pinnacle Advantage Members for assisted living, memory support and residential health care services; however, Permanent Residents have priority access over You. Further, We may reserve space to ensure We can meet the anticipated needs of Our Permanent Residents. If Your request is approved by Our IDC Team to move into one of Our Health Service houses and no accommodation is available for You and so long as You are current on all fees and charges due under this Agreement, including payments for Health Services, Cedarfield will arrange for Your admission to another facility of Your choosing within a forty (40) mile radius of Cedarfield that can supply such services until an accommodation in the appropriate Health Service -- Assisted Living, Memory Support or Residential Health Care Services

becomes available. If We do not have an accommodation for You in Health Services, and so long as You are current on all charges under this Agreement, We will pay for Your accommodations at the facility You choose until We can offer You a residence at the appropriate level of care at Cedarfield. If You elect not to return from another facility, either party may terminate this Agreement subject to the usual provisions regarding termination and refund, if any, under this Agreement.

4) Transfer within Health Services. If You are receiving Health Services in one of Our Health Services Households under this Agreement and Our IDC Team, after consultation with You, determines that You need to move to another Health Services Household due to a change in Your condition or other reason, then You will have priority access over non-residents for a residence in that household. Permanent Residents have first priority to all Households. If no accommodation is available for You in the Household identified by Our IDC Team as appropriate for You, Cedarfield will arrange for Your admission to another facility of Your choosing that can supply such services until an accommodation in the appropriate Health Service --Assisted Living, Memory Support or Residential Health Care Services becomes available. If We do not have an accommodation for You in Health Services, and so long as You are current on all fees and charges due under this Agreement, including the payment of the Health Services Fees, We will pay for Your accommodations at the facility You choose (within a forty (40) mile radius of Cedarfield) until We can offer You a residence at the appropriate level of care at Cedarfield. If You elect not to return from another facility, either party may terminate this Agreement subject to the usual provisions regarding termination and refund, if any, under this Agreement.

5) Reassignment by IDC Team. Notwithstanding any other provision of this Agreement, You agree that We may reassign You between and within different Health Services households and service levels at such time as We, in consultation with Our IDC Team, You, Your personal representative and (if appropriate) Your physician, determine that such a transfer or reassignment is necessary for Your well-being. Our IDC Team typically includes a licensed nurse, dietitian, social worker and activities coordinator, and may include other team members.

B. CEDARFIELD INDEPENDENT LIVING

You must make separate application for an on Campus apartment or cottage under Our normal continuing care retirement community acceptance criteria. If approved for a cottage or an apartment, You will enter into a agreement with Us, the Cedarfield Residency Agreement, which will supersede this Agreement. If You enter a Residency Agreement with Us, You may apply the unamortized portion of Your Membership Entrance Fee to the Entrance Fee. (The unamortized portion of Your Membership Entrance Fee is the portion that You would be entitled to as a refund if You terminated this Agreement at such time.) The Membership Entrance Fee that You are permitted to apply is net of the amount of Your Membership Entrance Fee already applied towards charges on Campus, if any, and the amortized portion of the Membership Entrance Fee.

C. CHANGE IN SCOPE OF SERVICES

A notice of changes in the scope of services will be provided to You at least thirty (30) days before a change in the scope of services takes effect.

IV.FEES AND COSTS

A. MEMBERSHIP ENTRANCE FEE

You agree to pay to Us the Membership Entrance Fee set forth below by the effective date of this Agreement. The Membership Entrance Fee is a one-time fee paid at the time of the making of this Agreement. The Membership Entrance Fee received by Us may be used or applied to any corporate purpose of Cedarfield, whether or not directly related to this Agreement. An Administrative Fee in an amount equal to four percent (4%) of the Membership Entrance Fee is non-refundable after the Adjustment Period set forth in Article V A(1) and will be retained by Us. The amount of Your Membership Entrance Fee will become non-refundable by an amount equal to two-percent (2%) of Your Membership Entrance Fee for each month or partial month of Membership, until the remaining refundable balance is zero. [See Article V B-3].

Your Membership Entrance Fee is as follows:

First Person Membership Entrance Fee:	\$ _____
Second Person Membership Entrance Fee:	\$ _____
Total Membership Entrance Fee:	\$ _____

B. MONTHLY FEE OR HEALTH SERVICES FEE

You agree to pay to us a Monthly Fee or the Health Services Fee, depending on whether You are residing in Your off-campus home or in Our Health Services.

1) *Monthly Fee.* When you do not reside on Our Campus, You will pay to Us a Monthly Fee as set forth herein. Monthly Fees are payable in advance and will be prorated for periods of less than one month, where appropriate. The first Monthly Fee is due on the effective date of this Agreement and thereafter by the tenth of each month. Your Monthly Fees are as follows:

First Person Monthly Fee:	\$ _____
Second Person Monthly Fee:	\$ _____
Total Monthly Fee:	\$ _____

2) *Health Services Per Diem Fee.* During a stay in Health Services either on Campus or at another facility pursuant to Our obligation in Article III A (3), You will pay the discounted per diem Health Services Fee as set forth in Article III A (2) (see also, **Schedule C**). Assisted Living Health Service Fee depends upon the particular level of service You are receiving in Our assisted living household. Your Monthly Fee will be suspended on a prorated basis for any days You are in Health Services; however, the Monthly Fee will not be suspended for any Medicare Covered stays where your permanent residence is off-Campus. In the event of a Second Member within one household and one member has a stay in Health Services, the Second Person Monthly Fee will be suspended. In the event both Members have non-Medicare simultaneous stays in Health Services, both Monthly Fees will be suspended during this time.

3) *Limitations of Services.* Fees do not cover the cost of medical care, such as hospitalization, professional medical services by an attending physician, companions, private duty nursing or certain specialized technical care, drugs, medical supplies, medical equipment, emergency transportation or transportation incident to such medical care.

C. PAYMENT AND EXCESS COSTS

You will be billed monthly for meals, services and supplies provided by Us that You elect and are not included in the services. Payment for the Monthly Fee and any additional services and supplies or co-pays shall be made by the due date or they will be subject to a late charge of 1.5 percent per month for each month in arrears. In the event You fail to pay Us on any amount due hereunder and the account is referred to an attorney for collection, You agree to pay all costs of collection for all charges under this Agreement, including, but not limited to, reasonable attorneys' fees. All benefits received by You from any source as reimbursement for any service provided by Us under this Agreement shall be paid or assigned by You to Us as reimbursement for such services. Except as specifically described in this Agreement, You shall be solely responsible for services not covered by Medicare Parts A and B or any supplement coverage You may have for costs exceeding Your supplement insurance coverage.

D. ADJUSTMENT OF MONTHLY FEE AND HEALTH SERVICES FEE

We are committed to providing You with the quality services called for by this Agreement consistent with sound financial management. You understand and agree that the Monthly Fee and the Health Services Fee may be increased by Us from time to time, in Our sole discretion, and that payment of the Monthly Fee or Health Services Fee, as adjusted, is an obligation under this Agreement. A written notice will be given to You at least 30 days prior to the effective date of any increase in the Monthly Fee or Health Services Fee.

E. NATURE OF PAYMENTS

You and We acknowledge that the payments made by You to Us under this Agreement are intended solely as compensation to Us for providing You with services and that such payments are not intended to be a loan. However, We have not provided, nor shall We provide any advice to You in this regard, and We urge You to seek advice and counsel from Your own legal and tax advisors regarding these matters and any income or other tax implications relating to such payments or otherwise relating to this Agreement.

V. ENDING THE AGREEMENT

A. TERMINATION

1) *Termination by Member.*

Right of Rescission and Seven-Day Rescission Period - You may terminate this Agreement for any reason, without penalty or forfeiture, within seven days after the effective date of this Agreement ("Adjustment Period").

Voluntary Termination Upon Notice - You may terminate this Agreement for any reason at any time by giving written notice to Cedarfield at least 30 days in advance. The written notice need not cite a specific reason for the termination, but it shall state a date when the termination is to become effective. You agree to pay the Monthly Fee during the 30- day notice period, as well as all amounts owed to Us, and any expenses incurred by Us in connection with termination.

2) *Termination by Cedarfield.*

Termination for Good Cause - We may terminate this Agreement at any time for good cause. Good cause shall include the following:

- a) Proof that the Member is a danger to himself or others;
- b) Nonpayment by the Member of any monthly or other fee or charges due under this Agreement;
- c) Repeated conduct by the Member that interferes with residents' or other participants' quiet enjoyment of a facility or service; Persistent failure to comply with Cedarfield's reasonable written rules and regulations; A material misrepresentation made intentionally or recklessly in the application for membership, or in related materials, regarding information which, if accurately provided, would have resulted in either a failure of the Member to qualify for participation or a material increase in the cost of providing to the Member the care and services provided under the terms and conditions of this Agreement; or
- d) A material breach by the Member of the terms and conditions of this Agreement.

If termination of the Agreement is contemplated for good cause, We will provide 30 days' written notice to You unless continued membership threatens the life, health or safety of others, in which case such notice as is reasonably practicable under the circumstances will be provided to You or Your representative, and the termination of this Agreement may be effective immediately. In the event that the basis for termination is conduct or a condition that is capable of cure, We will provide an opportunity to cure such conduct or condition within a reasonable period.

3) *Termination by Member's Death.*

This Agreement shall automatically terminate upon the death of the Member. When due, refunds will be provided as described in Article V B of this Agreement.

B. REFUNDS

In the event the Agreement is terminated, Your entitlement to a refund, if any, shall be determined in accordance with the provisions set out below.

- 1) *Termination within Adjustment Period* - You have the right to rescind this Agreement and receive a full refund during the initial seven-day period after executing this Agreement.

2) Payment of refunds - When either You or We terminate this Agreement, refunds of Membership Entrance Fee due You, if any, shall be paid within 60 days provided that all outstanding charges have been paid. All refunds specified shall be without interest. If termination is due to the death of the Member, We will provide the refund to the Member's estate unless specific arrangements are agreed to by Us in writing prior to the Member's death.

3) Termination by Member - If You terminate this Agreement by written notice in accordance with Your termination right under Article V A(1) (and You did not elect to apply any portion of the Membership Fee as a credit toward the cost of any Member residency on Campus), You may receive a refund (referred to from time to time herein as "Your Refund") of a portion of the Membership Entrance Fee when this Agreement is terminated as follows: The amount of Your Membership Entrance Fee (i) reduced by an Administrative Fee equal to 4% of the amount of Your Membership Entrance Fee and (ii) further reduced by an amount equal to 2% of Your Membership Entrance Fee for each month or partial month of Membership, until the remaining balance is zero. Any unpaid charges will be deducted from Your Refund. Fees that have been applied at Your request toward fees or the cost of any Member services will not be refunded.

4) Termination by Cedarfield - If We terminate this Agreement by written notice in accordance with Our termination right under Article V A(2) (and You did not elect to apply any portion of the Membership Fee as a credit toward the cost of any Member residency on Campus), You may receive a refund (referred to from time to time herein as "Your Refund") of a portion of the Membership Entrance Fee when this Agreement is terminated as follows: The amount of Your Membership Entrance Fee (i) reduced by an Administrative Fee equal to 4% of the amount of Your Membership Entrance Fee and (ii) further reduced by an amount equal to 2% of Your Membership Entrance Fee for each month or partial month of Membership, until the remaining balance is zero. Any unpaid charges will be deducted from Your Refund. Fees that have been applied at Your request toward fees or the cost of any Member services will not be refunded.

5) Joint Members - If this is a Joint Membership Agreement, this termination may, depending upon the nature of the cause, apply to either non Joint Member or to both and, if the termination applies to only one Joint Member, provided the other Joint Member then satisfies Our then current membership criteria independently, such other Joint Member will have the option of retaining the obligations and rights of this Agreement or terminating this Agreement. The foregoing notwithstanding, termination shall not relieve a Joint Member of his obligations under Article VII A, Joint and Several Liability of Joint Membership.

No interest will accrue to the benefit of Member or the Member's estate on any amounts required to be refunded under this Agreement, and no interest will be paid on termination.

VI.INSURANCE

A. MEMBER'S OBLIGATION TO CARRY MEDICAL INSURANCE

You agree to provide Us with evidence of health insurance coverage under Medicare Parts A & B as well as hospital or medical insurance benefit programs which supplement Medicare. You agree to furnish to us such evidence of coverage as We may from time to time request. Should Your supplemental health insurance or equivalent coverage not fully cover a qualified stay in the Health Services, should it not pay benefits directly to Us or should You fail to purchase supplemental health insurance or equivalent coverage to fully cover a qualified stay in Health Services, You will be financially responsible for paying to us deductibles, co-insurance amounts and any other charges for each qualified stay. If You are not

covered under Medicare, You must provide evidence of coverage under comparable insurance accepted by Us. You are responsible for the payment of premiums for such coverage. You agree to authorize Us to receive reimbursement under this insurance coverage and assign to Cedarfield the right to appeal Medicare coverage determinations.

VII. MISCELLANEOUS

A. JOINT AND SEVERAL LIABILITY OF JOINT MEMBERSHIP

If this is a Joint Membership Agreement, each Joint Member hereby agrees (i) to be bound jointly and severally by the terms and conditions hereof, (ii) to make provision in his or her respective estate planning documents (whether by will, trust, survivorship, pay-on-death, beneficiary designation or other designation) to satisfy the continuing obligations of the remaining Joint Resident under this Agreement after the death of the first Joint Member to die, and (iii) that such obligations shall become an obligation of his or her estate. You hereby agree to provide Us from time to time, upon Our request, with written evidence satisfactory to Us of Your compliance with Your obligations under this Paragraph. In the event that one Joint Member terminates membership or no longer resides in the Community, each of You, as Joint Members, shall remain jointly liable for the full performance of this Agreement (including but not limited to payment for Health Services fees and expenses of the other Joint Member) even in the event of death, divorce, legal or actual separation. Any contrary provision of this Agreement notwithstanding, should one of You as a Joint Member, die or withdraw without making provisions for the remaining Joint Member sufficient to permit the remaining Joint Member to independently financially qualify as a Member after the Joint member's death or withdrawal, then, in addition to being in breach of this Agreement affecting both Joint Members, You agree that the remaining Joint Member shall have a claim against Your estate and against any person to whom You made a transfer to in violation of the duty to support Your Joint Member under this Agreement. You acknowledge that We would not enter into this Agreement but for the assurances of both Joint Members that each would provide for the remaining Joint Resident, and You acknowledge that one Joint member's failure to do so for the other is a material breach of this Agreement constituting good cause for termination of this Agreement by Us and otherwise excusing Our further performance of this Agreement. This section shall survive the termination of this Agreement.

B. ESTABLISHING JOINT MEMBERSHIP

If You marry a person not a Pinnacle Advantage Member and desire to establish Joint Membership with Your spouse, Your spouse must submit an Application for Membership and such other documentation as We may reasonably require in accordance with Our then current policies and procedures, and both You and Your spouse must submit a then current financial report. If Your spouse does not qualify for Membership in accordance with Our acceptance policies then in effect, Your spouse will not be permitted to establish Membership.

If accepted for Joint Membership, You and Your spouse must then execute a new, Joint Membership Agreement, provided You then pay the additional cost of the then current Joint Membership Entrance Fee.

You and Your spouse will then be treated in all respects as Joint Members and thereafter will pay the Monthly Service Fee for Joint Membership, with the Second Person Monthly Service Fee prorated for the first month, if appropriate.

Only persons who are living in the same domicile may be Joint Members. We do not permit existing members to convert their membership to joint membership unless they marry.

C. FINANCIAL REQUIREMENTS

We, at Our discretion, may require You to furnish updated financial information periodically upon request. You affirm that the representations made in each part of Your Application for Membership, including but not limited to Your health and financial representations, are true and correct and are being relied upon by Us as a basis for entering into this Agreement. You agree that Your assets are to primarily be available to pay Your living expenses, including Your obligations under this Agreement.

D. DECISIONS REGARDING TRANSFER OF MEMBER

All decisions involving a permanent transfer to residence in Our community will be made by Our Interdisciplinary Care Team in consultation with You or Your designated representative. We have no responsibility with respect to any decision regarding Your remaining at Your own home off-campus. Our Interdisciplinary Care Team only becomes involved in such decisions when You request entry to one of Our Health Services households.

E. FINANCIAL OBLIGATIONS AND SUBSIDIES

Your timely payment of all fees and other charges under this Agreement is a condition of Your Membership and failure to pay any such fees and charges will constitute Good Cause for termination of this Agreement. However, We may grant You a subsidy to assist You in the payment of a portion of such fees or charges in the event We determine, in Our sole and absolute discretion, that such subsidy is appropriate. Any such subsidy will be made in accordance with Our policies and procedures then in effect, which may be changed from time to time. In no event will any such subsidy be given to any Member who impairs his or her ability to meet financial obligations, whether by gratuitous transfer (to Your spouse or to any other person or entity) or incurrence of unusual, unnecessary or extraordinary expenditures or obligations, as determined by Us in Our sole and absolute discretion. No subsidy will be granted to a surviving Joint Member when the first Joint Member to die fails to provide for the surviving Joint Member as more fully set forth in Article VII, Section A above. You agree to provide Us with such financial and other information and documentation as We may request, from time to time, in Our sole and absolute discretion, to determine Your eligibility for such subsidy in accordance with the foregoing. In the event any such subsidy is granted to You, You agree as follows:

- 1) You will remain obligated to reimburse Us for the full amount of such subsidy, which will remain Your obligation upon termination of this Agreement and may be satisfied from or offset against any refund or other sums We may owe to You. To the extent such obligation is not satisfied as of the time of Your death, You hereby agree that it will be an obligation of Your estate.

- 2) You agree to accept such level of Services as We deem necessary, in Our sole and absolute discretion, so as not to impair Our ability to meet Our financial obligations and otherwise to operate Cedarfield or the Pinnacle Advantage Program on a sound financial basis, in Our sole and absolute discretion.
- 3) You acknowledge that We are under no obligation to make or to continue any such subsidy, and that We may discontinue any such subsidy at any time in Our sole and absolute discretion.

In consideration of Our acceptance of You for Membership under this Agreement, You hereby agree not to take any action, or to omit to take any action, so as to impair Your ability to meet Your financial obligations under this Agreement, whether by gratuitous transfer to any person or entity or to incur any unusual, unnecessary or extraordinary expenditures or obligations. Any such act or omission by You (or in Your behalf by Your personal representative, agent or other authorized person) shall be deemed a “material breach” of this Agreement as contemplated under Article V, 2(d) hereof.

F. PERSONAL REPRESENTATIVE FOR INCAPACITY

You agree to make arrangements within one month of Your execution of this Agreement whereby Your affairs will be managed by attorneys-in-fact or other agents with legal authority to handle your personal, health, legal and business matters (collectively Your “personal representatives”) if You become incapacitated. Generally, this is accomplished by the execution by You of a durable power of attorney and advanced medical directives. You also agree to provide Us with the name, address and telephone number of each of Your personal representatives, and to inform Us of any change in the identity of Your personal representatives within one month. You also agree that either You or Your personal representatives will inform Us when Your personal representatives assume responsibility for managing Your personal, health, legal or business affairs. You also agree to have in place a will with a named executor. You agree to execute forms compliant with Federal privacy laws (including but not limited to HIPAA) directing with whom We can communicate regarding Your health. Although We are under no obligation to do so, You agree to reimburse Us for all expenses We may incur as a result of Your having failed to make or to keep such arrangements, including but not limited to, the cost and fees incurred by Us in obtaining a guardian for Your person or conservator to manage Your financial estate.

G. LOSS OR DAMAGE TO PROPERTY OR PERSON

We will not be responsible for the loss or damage of any of Your personal property due to routine maintenance, housekeeping activities, theft, fire, other casualty or any other cause. Our insurance policy(ies) shall not protect You against loss or damage to Your personal property. You may desire to obtain such policy(ies) of insurance as may be appropriate to provide against theft, fire or other casualty to Your personal property.

1. You agree that neither We nor Our agents, employees or staff will be liable for death or injury not caused by Our active negligence.
2. You agree to indemnify and hold Us and Our agents, employees and staff harmless from and against any and all claims, demands, actions and causes of action (including any costs and attorney's fees), whether from injury to person, loss of life or damage to property, occurring in or about Your off-campus Home.

H. ENTIRE AGREEMENT

This Agreement, including the Application for Membership (including, without limitation, the health, financial and other related documentation You provide Us) and the Disclosure Statement, comprise the entire Agreement between You and Us, all prior representations and agreements having been merged into this Agreement. No amendment or special provision of this Agreement will be valid or enforceable unless set forth in a written document executed by all Residents who are parties hereto and on behalf of Pinnacle Living by its President.

I. SEVERABILITY

Except as otherwise specifically provided in this Agreement, the invalidity or amendment of any restriction, condition, clause or other provision of this Agreement, or of any part thereof, will not impair or affect in any way the validity, enforceability or effect of the rest of this Agreement.

J. GOVERNING LAW, COSTS OF ENFORCEMENT AND NOTICE

This Agreement is made in Virginia, and it shall be governed and construed, in all respects, in accordance with the laws of the Commonwealth of Virginia. In the event of a dispute concerning the performance of this Agreement, the substantially prevailing party will be allowed to collect from the other party its court costs and reasonable attorney fees in such dispute. Notice to You may be given at the address listed above or, should You come to reside on Campus, at Your Campus address. Notice to Us shall be given to the President of Pinnacle Living at 5101 Cox Rd #225, Glen Allen, VA 23060.

K. NON-WAIVER OF BREACH

If in one or more instances We fail to insist that You perform any of Your obligations under this Agreement, such failure shall not be construed as a waiver of any past, present or future rights We have under this Agreement; Your obligations shall nevertheless continue in full force and effect.

L. NO OWNERSHIP INTEREST

The rights and privileges granted to You by this Agreement do not include any leasehold rights or interests nor include any right, title or interest in any part of the personal property, land, buildings or improvements owned or administered by Us. Your rights are primarily for services. Any rights, privileges or benefits under this Agreement or any interest or contractual rights of any nature in Cedarfield, including the right to any refund of the Membership Entrance Fee, Your Refund or other benefit or payment hereunder, are and shall be subordinate in priority, right, claim and interest to any lien, charge, mortgage or other security interest or agreement now or hereafter placed on or affecting Cedarfield or any of Cedarfield's real or personal property, and to any amendment, modification, replacement or refunding thereof.

M. ASSIGNABILITY

You may not assign Your rights or obligations hereunder, in whole or in part. We shall have the right to assign Our rights and obligations hereunder in whole or in part to any successor owner or lender, either

outright or as security for any indebtedness of Cedarfield, without Your consent. The transfer of ownership of Cedarfield, or any part thereof, shall not be deemed a termination of this Agreement.

N. GENERAL TERMS WHEN RESIDING IN HEALTH SERVICES

When residing in Health Services You agree to the following:

Team Members and Acting without Assistance. You understand that Our team members are available 24 hours a day, seven days a week, but that the Community does not staff on a one-to-one basis. You understand and agree that the Community cannot and does not provide uninterrupted accompaniment of Members and thus cannot be responsible for injuries or harm to a Member resulting from Your decision to act without assistance of a team member. Subject to then current policies of the Community, You may contract for such assistance privately; provided it does not alter the continuing care character of the Community and further provided that You obtain the prior approval of the Administrator of the Community.

Holding Residence. In the event that You leave Your Residence (such as for a hospital stay) while residing in Our Health Services, Your residence will be held for seven (7) calendar days and You will be charged the then current discounted Health Services Per Diem Fee. In Our discretion and subject to availability, Your original Residence may be held beyond seven (7) calendar days at Your request and You will be charged the Health Services Per Diem Fee, less a meal credit for the raw food cost.

Transfer Due to Change in Your Condition. You also agree that, if You suffer any condition for which We are not permitted to provide, or for which We are not capable of providing, appropriate services (including Our inability to provide such services due to a lack of availability of an appropriate accommodation or staffing), We shall, in consultation with the IDC Team, You, and Your personal representative and (if appropriate) Your physician, assist in transferring You to an appropriate institution or facility and terminate this Agreement.

Change of Residence. You acknowledge that, from time to time, We may need to make repairs, renovations, improvements, enhancements or other changes (collectively “construction”) to Your Health Services residence, and You agree to grant Us access to Your Health Services residence for such purposes. You also agree that, if such construction is significant enough to cause the Executive Director of the Community to deem Your relocation necessary or appropriate, You will relocate temporarily (or permanently if such be deemed necessary) to another residence in the Community. We agree to provide You with reasonable notice (except in the case of emergency) of Our intention to provide any such construction. You agree that You do not have any leasehold or other interest in any of Our real property.

Removal of Your property. For so long as Your personal property remains in Your Residence, You will be charged the then current discounted Health Services Per Diem Fee. In the event of Your death or permanent transfer from Your Health Services Residence, unless otherwise agreed to by Us in writing, all of Your personal property shall be removed within seventy-two (72) hours. If such property has not been removed by the expiration of such period, We will have the right but not the obligation to remove the property from Your Health Services Residence and to charge You for the actual cost of storing, insuring, transporting and preserving the property, such costs not to be less than one hundred dollars (\$100.00) per month. We will have a lien in such property to the extent of such costs and the costs of recovering same.

Hold Over of Property. In all other circumstances, if Your property remains in Your Residence, You will be charged the applicable daily rate of the Health Services Fee.

O. LOSS OR DAMAGE TO PROPERTY OR PERSON

Your Responsibility. We shall not be responsible for the loss of or damage to any property belonging to You, or to any other person, due to theft, routine maintenance or housekeeping activities or for any other cause. Our insurance policy(ies) will not protect You against loss or damage to Your personal property. You may desire to obtain such policy(ies) of insurance as may be appropriate to provide against theft, fire or other casualty to Your personal property.

Indemnification. You agree to indemnify and hold Us and each of Our agents, team and staff members harmless from and against any and all claims, demands, actions and causes of action (including any cost and attorney’s fees) caused by You, whether from injury to person, loss of life or damage to property, occurring in or about Your Health Services Residence or involving You anywhere else in the Community not caused by Our actual negligence

WITNESS THE SIGNATURES of the parties to this Agreement.

MEMBERS(S):

Date

Member

Date

Joint Member (if applicable)

PINNACLE LIVING

By:_____

Title:_____

Schedule A (1)

SOCIAL, RECREATIONAL, WELLNESS AND CULTURAL PROGRAMS

Social, Educational, Wellness, Recreational and Cultural Programs

- Our Pathways to Wellness program recognizes that each Pinnacle Advantage Member's physical, psychological, and spiritual needs are of the utmost importance. We seek to assist Pinnacle Advantage members in expressing significance and purpose in their lives by providing life-enhancing, diverse activities and programming. These programs inspire wellness in a variety of ways: Strength and endurance, emotional balance, creative expression, spirituality, intellectual growth, dining/ diet/ nutrition, brain fitness, community outreach, and socialization.
- *Wellness Services* - Your Membership Fee includes an annual wellness consultation with Our registered nurse and social worker. You may access this service by making an appointment with Cedarfield.
- Members are invited to participate in the following (subject to change and availability):
 - Fitness classes
 - Aquatic classes
 - Orientation on use of fitness facility and equipment
 - Arts and creative expression classes
 - Educational opportunities
 - Entertainment Opportunities, as space permits.
- Spirituality, emotional balance, community outreach
 - Pet therapy
 - Yoga (cost associated)
 - Tai Chi (cost associated)
 - Support groups
 - Spirituality
 - Weekly worship services
 - Bible studies
 - Religious lectures
 - Chaplain Chats
 - Art and Spirituality
 - Community Outreach opportunities
 - Food Bank
 - Ronald McDonald House
 - Shalom Farms
 - Alzheimer's association

Schedule A (2)

Additional Social, Recreational, Cultural and other Services

Available at an Additional Cost

- Personal training sessions;
- Alternative therapies, such as massage (prevailing vendor rates);
- Salon services (prevailing vendor rates);
- Catered meal functions (varies with menu choices and location);
- Guest suites (based on availability);
- Personal laundry services (wash, dry, and fold);
- Dietitian Consultation;
- Meeting Spaces;
- Transportation to events (subject to availability).

Schedule A (3)

CLINIC SERVICES

Clinic Services including:

- Services available at time of hospital discharge including:
 - Arrangement for at home safety assessments
 - Assistance with private duty companion referrals
 - Assistance in arranging housekeeping
 - Driver resources
- Lifestyle/health services transition planning including:
 - Companion resources
 - Driver resources
 - Meal Preparation resources
 - Housekeeping resources
 - Moving, Packing and organizing resources
- Access to Rehabilitation (provided and billed by the Third Party Provider to You and Your insurer) including:
 - Physical Therapy
 - Occupational Therapy
 - Speech and Language pathology
 - Audiologist
- Other Third Party Services Available
 - Dental services (Provided and billed by third party);
 - Podiatry services (Provided and billed by third party);
 - On-site pharmacy (Provided and billed by third party);

Schedule B

DINING VENUES

Members may enjoy Cedarfield's Various Dining Venues currently including the following:

- Pub
- Coffee House
- Take Out
- Prima
- Café
- Cedar Grill

Schedule C

HEALTH SERVICES

FEE SCHEDULE 2023-2024

Level of Services	Cedarfield Fee	Pinnacle Advantage Base Fee At (80%)
Assisted Living		
Base Monthly Fee	\$6,430 - \$9,640	\$5,144 - \$7,632
Assisted Living Additional Monthly Services Tier Fees		
Services Tier 1	\$420	\$336
Services Tier 2	\$855	\$684
Services Tier 3	\$1,305	\$1,044
Services Tier 4	\$1,775	\$1,420
Services Tier 5	\$2,260	\$1,808
Services Tier 6	\$2,760	\$2,208
Assisted Living Additional Monthly Medication Management Fees		
Tier 1: 1-2 Medications	\$365	\$292
Tier 2: 3-6 Medications	\$490	\$392
Tier 3: More than 6 Medications	\$610	\$488
	Monthly Fee	Monthly Fee
Memory Support Center	\$8,995	\$7,196
	Daily Fee	Daily Fee
Health Care (Private)	\$470	\$376

Fees are subject to change on thirty (30) days advance written notice.

Schedule D (1)

ASSISTED LIVING Services Included in Monthly Service Fee

- three meals per day, plus snacks and beverages;
- dietary consultation;
- daily housekeeping to include flat linen service;
- nursing assistance and monitoring 24 hours per day;
- water, sewer, electric, heating and cooling;
- access to WiFi;
- trash disposal;
- pest control services;
- maintenance of apartment and grounds;
- one hour of personal maintenance service within the first week following move-in for picture hanging and furniture arrangement. Supplies not included. Hours not used are not carried over for future use;
- special diets, if ordered by physician;
- 24-hour security;
- emergency call system;
- regularly scheduled social, cultural, educational, wellness and recreational programs;
- access to Wellness and Fitness Center, pool and tennis;
- chapel and chaplain services;
- transportation to regularly scheduled shopping trips and routinely scheduled events;
- scheduled transportation in accordance with policies;
- woodworking shop, garden area and library;
- use of common areas (some require scheduling);
- use of laundry facilities;
- access to Clinic with on-site physician's services;
- temporary tray service (up to 3 days);
- priority access to Health Services, including Respite Care, per contract.

Schedule D (2)

ASSISTED LIVING

Available at an Additional Cost

- housekeeping beyond routine service at prevailing community rates;
- on site physician services (physician must have a service agreement with Pinnacle Living; fee for services made directly between resident and physician);
- physician on call 24 hours a day;
- dentist and podiatrist services;
- alternative therapies, such as massage (prevailing vendor rates);
- salon services (prevailing vendor rates);
- wound care;
- medical supplies and dressings;
- medication administration;
- basic cable TV service (billed monthly at community rate);
- premium cable TV service (prevailing vendor rates);
- catered meal functions (varies with menu choices and location);
- guest suites (based on availability);
- concierge services;
- personal laundry services (wash, dry, and fold);
- rehabilitation services based on prevailing rates; special programs, concert tickets, catered trips;
- telephone (billed monthly at community rate);
- high speed internet (prevailing vendor rates);
- on-site pharmacy;
- long term care insurance review and filing, at prevailing community rate;
- medical and personal transportation (prevailing community rates, based on availability);
- dry cleaning services;
- guest meals.

Schedule E (1)

MEMORY SUPPORT

Services Included in Monthly Service Fee

- three meals per day, plus snacks and beverages;
- dietary consultation;
- daily housekeeping to include flat linen service;
- nursing assistance and monitoring 24 hours per day;
- medication administration;
- water, sewer, electric, heating and cooling;
- access to WiFi;
- trash disposal;
- pest control services;
- maintenance of apartment and grounds;
- one hour of personal maintenance service within the first week following move-in for picture hanging and furniture arrangement. Supplies not included. Hours not used are not carried over for future use;
- special diets, if ordered by physician;
- 24-hour security;
- emergency call system;
- regularly scheduled social, cultural, educational, wellness and recreational programs;
- access to Wellness and Fitness Center, pool and tennis;
- chapel and chaplain services;
- transportation to regularly scheduled shopping trips and routinely scheduled events;
- scheduled transportation in accordance with policies;
- woodworking shop, garden area and library;
- use of common areas (some require scheduling);
- use of laundry facilities;
- access to Clinic with on-site physician's services;
- temporary tray service (up to 3 days);
- priority access to Health Services, including Respite Care, per contract.

Schedule E (2)

MEMORY SUPPORT

Available at an Additional Cost

- housekeeping beyond routine service at prevailing community rates;
- on site physician services (physician must have a service agreement with Pinnacle Living; fee for services made directly between resident and physician);
- physician on call 24 hours a day;
- dentist and podiatrist services;
- alternative therapies, such as massage (prevailing vendor rates);
- salon services (prevailing vendor rates);
- wound care;
- medical supplies and dressings;
- basic cable TV service (billed monthly at community rate);
- premium cable TV service (prevailing vendor rates);
- catered meal functions (varies with menu choices and location);
- guest suites (based on availability);
- concierge services;
- personal laundry services (wash, dry, and fold);
- rehabilitation services based on prevailing rates; special programs, concert tickets, catered trips;
- telephone (billed monthly at community rate);
- high speed internet (prevailing vendor rates);
- on-site pharmacy;
- long term care insurance review and filing, at prevailing community rate;
- medical and personal transportation (prevailing community rates, based on availability);
- dry cleaning services;
- guest meals.

Schedule F (1)

RESIDENTIAL HEALTH CARE

Services Included in Monthly Service Fee

- three meals per day, plus snacks and beverages;
- dietary consultation;
- daily light housekeeping;
- linen changes weekly and as needed;
- nursing assistance and monitoring 24 hours per day;
- medication administration;
- water, sewer, electric, heating and cooling;
- access to WiFi
- trash disposal;
- pest control services;
- maintenance of common spaces and grounds;
- special diets, if ordered by physician;
- 24-hour security;
- regularly scheduled social, cultural, educational, wellness and recreational programs;
- Scheduled transportation in accordance with policies;
- access to Wellness and Fitness Center, pool and tennis;
- transportation to regularly scheduled shopping trips and planned special events;
- woodworking shop, garden center & library;
- use of common areas (some require scheduling);
- chapel and chaplain services
- use of laundry facilities;
- access to Cedarfield Clinic with on-site physician's services;
- temporary tray service (up to 3 days);
- scheduled transportation in accordance with policies.

Schedule F (2)

RESIDENTIAL NURSING

Available at an Additional Cost

- on site physician services (physician must have a service agreement with Pinnacle Living; fee for services made directly between resident and physician);
- physician on call 24 hours a day;
- dentist and podiatrist services;
- alternative therapies, such as massage (prevailing vendor rates);
- salon services (prevailing vendor rates);
- wound care;
- medical supplies and dressings;
- basic cable TV service (billed monthly at community rate);
- premium cable TV service (prevailing vendor rates);
- high speed internet (at prevailing vendor rates);
- catered meal functions (varies with menu choices and location);
- guest suites (based on availability);
- concierge services;
- personal laundry services (wash, dry and fold);
- rehabilitation services based on prevailing rates;
- special programs, concert tickets, catered trips;
- telephone (billed monthly at community rate);
- personal transportation (prevailing community rates, based on availability);
- on-site pharmacy;
- long term care insurance review and filing, at prevailing community rate;
- guest meals;
- dry cleaning services.

P I N N A C L E
L I V I N G

**Combined Financial Report
May 31, 2023**

Exhibit A

This page intentionally left blank

Table of Contents

INDEPENDENT AUDITOR’S REPORT	1
COMBINED BALANCE SHEETS MAY 31, 2023 AND 2022	3
COMBINED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2023	4
COMBINED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2022	5
COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2023 AND 2022	6
NOTES TO COMBINED FINANCIAL STATEMENTS	7
1. Nature of Operations and Summary of Significant Accounting Policies.....	7
2. Net Assets With and Without Donor Restrictions.....	14
3. Investments	16
4. Fair Value	19
5. Assets Whose Use is Limited.....	27
6. Property and Equipment.....	29
7. Bonds and Note Payable	30
8. Employee Retirement Plan	38
9. Concentrations of Credit Risk.....	38
10. Commitments and Contingencies	38
11. Related Party Transactions	39
12. Fair Value of Financial Instruments.....	39
13. Donor Restricted Funds.....	41
14. Endowment (Samaritan) Program	45
15. Contract Assets and Liabilities	48
16. Liquidity.....	49
17. Functional Expenses.....	52
18. Government Assistance with COVID-19 Relief Funds	55
19. Prior Year Reclassification.....	56
20. Subsequent Events.....	56
INDEPENDENT AUDITOR’S REPORT ON THE SUPPLEMENTARY AND OTHER INFORMATION	57
COMBINING BALANCE SHEET MAY 31, 2023	58
COMBINING BALANCE SHEET MAY 31, 2022	59
COMBINING STATEMENT OF ACTIVITIES YEAR ENDED May 31, 2023	60
COMBINING STATEMENT OF ACTIVITIES YEAR ENDED May 31, 2022	61
COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2022	62
COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2022	63
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES	65
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2023	66
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2022	68
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2023	70
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2022	72
SUMMARY OF FINANCIAL INFORMATION	74

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pinnacle Living
Richmond, Virginia

Opinion

We have audited the accompanying combined financial statements of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation, which comprise the combined balance sheets as of May 31, 2023 and 2022, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation as of May 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered

material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation's ability to continue as a going concern for a reasonable period of time.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia
August 29, 2023

PINNACLE LIVING
COMBINED BALANCE SHEETS MAY 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,278,216	\$ 26,724,446
Cash and cash equivalents, with donor restrictions	793,050	431,233
Total cash and cash equivalents	11,071,266	27,155,679
Accounts receivable, residents, less allowance for uncollectible accounts 2023 \$123,066; 2022 \$1,494,811	232,436	299,047
Accounts receivable, other	2,987,406	1,688,933
Accrued income receivable	179,942	117,576
Prepaid expenses	680,979	283,545
Other assets	384,462	396,350
Assets whose use is limited	6,222,367	8,472,287
Total current assets	21,758,858	38,413,417
Beneficial interest in trusts, with donor restrictions	15,123,495	19,739,753
Investments	108,870,370	63,308,306
Investments, with donor restrictions	5,214,158	5,867,935
Investment in Senior Living Partners of Virginia	356,418	236,137
Assets whose use is limited	19,974,157	29,129,221
Other assets	3,336,258	2,103,533
Property and equipment, net	221,267,074	224,891,377
Total assets	\$ 395,900,788	\$ 383,689,679
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 3,034,217	\$ 2,603,924
Accrued expenses	7,125,842	9,279,518
Deposits, prospective residents	464,574	447,882
Bonds payable	3,865,000	3,730,000
Other liabilities	279,026	1,388,040
Total current liabilities	14,768,659	17,449,364
Deposits, future list	1,075,000	764,000
Bonds payable, net of OIP of 2023 \$1,759,439; 2022 OID \$2,889,247 and BIC of 2023 \$3,010,932; 2022 \$3,185,223	151,888,507	161,196,944
Deferred revenue, entrance fees	106,583,428	101,093,984
Refundable fees	56,313,287	57,058,696
Other liabilities	952,385	425,481
Total liabilities	331,581,266	337,988,469
Net Assets		
Without donor restrictions		
Undesignated	\$ 38,196,064	\$ 14,499,413
With board designations	4,992,755	5,162,876
With donor restrictions		
Purpose restricted	3,033,270	3,325,230
Perpetual in nature	18,097,433	22,713,691
Total net assets	\$ 64,319,522	\$ 45,701,210
Total liabilities and net assets	\$ 395,900,788	\$ 383,689,679

The Notes to Combined Financial Statements are an integral part of these statements.

PINNACLE LIVING
 COMBINED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Resident and Membership Fees	\$ 65,804,561	\$ -	\$ 65,804,561
Benevolent care	(316,415)	-	(316,415)
Amortization of deferred revenue from entrance fees	12,652,961	-	12,652,961
Ancillary service revenue, net	420,833	-	420,833
Other operating revenue	12,883,420	-	12,883,420
Net assets released from restrictions	499,952	(499,952)	-
Total operating revenues and support	\$ 91,945,312	\$ (499,952)	\$ 91,445,360
Operating expenses			
Administration	12,981,598	-	12,981,598
Marketing	2,669,650	-	2,669,650
General overhead	2,233,081	-	2,233,081
Depreciation	11,396,810	-	11,396,810
Dining	11,185,337	-	11,185,337
Resident services	3,034,047	-	3,034,047
Donor restricted funds spent	177,528	-	177,528
Building and grounds	11,298,223	-	11,298,223
Housekeeping	3,564,734	-	3,564,734
Nursing Neighborhoods	23,515,059	-	23,515,059
Total operating expenses	82,056,067	-	82,056,067
Change in net assets from operations	\$ 9,889,245	\$ (499,952)	\$ 9,389,293
Other non-operating changes			
Bequests	160,439	-	160,439
Trusts and legacies	1,038,836	-	1,038,836
Present value change in trusts	-	(4,616,258)	(4,616,258)
Gain (Loss) on disposal of property and equipment	17,458,790	(268,478)	17,190,312
Contributions	565	569,613	570,178
Investment income	4,356,883	138,048	4,494,931
Realized loss on investments	(933,683)	(88,862)	(1,022,545)
Unrealized loss on investments	(2,354,113)	(142,329)	(2,496,442)
Interest expense	(5,962,545)	-	(5,962,545)
Transfer (to) from affiliate	-	-	-
Other non-operating charges and fees	(127,887)	-	(127,887)
Total non-operating changes	13,637,285	(4,408,266)	9,229,019
Change in net assets	\$ 23,526,530	\$ (4,908,218)	\$ 18,618,312
Net assets at the beginning of the year	19,662,289	26,038,921	45,701,210
Net assets at the end of the year	\$ 43,188,819	\$ 21,130,703	\$ 64,319,522

The Notes to Combined Financial Statements are an integral part of these statements.

PINNACLE LIVING
 COMBINED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Resident and Membership Fees	\$ 67,529,638	\$ -	\$ 67,529,638
Benevolent care	(338,136)	-	(338,136)
Amortization of deferred revenue from entrance fees	13,062,906	-	13,062,906
Ancillary service revenue, net	425,601	-	425,601
Other operating revenue	3,349,387	-	3,349,387
Net assets released from restrictions	420,777	(420,777)	-
Total operating revenues and support	\$ 84,450,173	\$ (420,777)	\$ 84,029,396
Operating expenses			
Administration	11,667,827	-	11,667,827
Marketing	3,117,456	-	3,117,456
General overhead	2,110,801	-	2,110,801
Depreciation	11,190,209	-	11,190,209
Dining	11,843,669	-	11,843,669
Resident services	3,226,659	-	3,226,659
Donor restricted funds spent	82,641	-	82,641
Building and grounds	11,224,367	-	11,224,367
Housekeeping	3,799,710	-	3,799,710
Nursing Neighborhoods	23,716,001	-	23,716,001
Total operating expenses	81,979,340	-	81,979,340
Change in net assets from operations	\$ 2,470,833	\$ (420,777)	\$ 2,050,056
Other non-operating changes			
Bequests	27,130	-	27,130
Trusts and legacies	802,846	-	802,846
Present value change in trusts	-	(3,664,585)	(3,664,585)
Gain (Loss) on disposal of property and equipment	(54,432)	-	(54,432)
Contributions	15,393	562,169	577,562
Investment income	2,517,599	145,735	2,663,334
Realized loss on investments	545,668	(75,667)	470,001
Unrealized loss on investments	(5,933,421)	(455,952)	(6,389,373)
Interest expense	(4,698,985)	-	(4,698,985)
Loss on defeasance	(12,441,821)	-	(12,441,821)
Other non-operating charges and fees	(130,038)	-	(130,038)
Total non-operating changes	(19,350,061)	(3,488,300)	(22,838,361)
Change in net assets	\$ (16,879,228)	\$ (3,909,077)	\$ (20,788,305)
Net assets at the beginning of the year	36,541,517	29,947,998	66,489,515
Net assets at the end of the year	\$ 19,662,289	\$ 26,038,921	\$ 45,701,210

The Notes to Combined Financial Statements are an integral part of these statements.

PINNACLE LIVING
COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2023 AND 2022

	2023	2022
Operating Activities		
Change in Net Assets	\$ 18,618,312	\$ (20,788,305)
Adjustments to reconcile Change in net assets to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(12,652,961)	(13,062,906)
Depreciation	11,396,810	11,190,209
Amortization of original issue premium	(1,129,908)	(1,143,373)
Amortization of bond issuance costs	174,291	160,944
Realized loss on investments	1,022,545	(470,001)
Unrealized loss on investments	2,496,442	6,389,373
Gain (loss) on disposal of property and equipment	(17,458,790)	54,432
Forgiveness of debt payroll protection program	(4,587,820)	-
Change in present value of beneficial interest in trusts	4,616,258	3,664,585
Loss on defeasance	-	12,441,821
Entrance fees received - first generation	-	1,435,830
Entrance fees received	20,881,300	20,044,571
Entrance fees refunded	(5,075,629)	(7,254,939)
(Increase) decrease in assets		
Accounts receivable	389,213	(732,889)
Accrued income receivable	(62,366)	(15,871)
Prepaid expenses	(397,434)	39,115
Other assets	(1,220,837)	78,829
Increase (decrease) in liabilities		
Accounts and resident refunds payable	430,293	(108,470)
Accrued expenses	(2,153,676)	514,123
Deposits	327,692	(56,585)
Other liabilities	(582,110)	1,211,104
Net cash provided by operating activities	\$ 15,031,625	\$ 13,591,597
Investing Activities		
Proceeds from sales of investment securities	17,005,291	13,233,879
Purchase of investments	(54,177,612)	(16,629,300)
Proceeds from sale of assets	24,495,319	806,926
Purchase of property and equipment	(14,809,036)	(15,372,612)
Net cash used in investing activities	(27,486,038)	(17,961,107)
Financing Activities		
Bond issuance costs	-	(961,363)
Original issue premium	-	2,098,667
Cap premium	-	(750,000)
Interest expense financed on Series 20013A bonds	-	(2,953,050)
Issuance of debt	-	58,240,000
Payment of debt	(3,630,000)	(49,313,235)
Net cash provided by (used in) financing activities	(3,630,000)	6,361,019
Net change in cash and cash equivalents	\$ (16,084,413)	\$ 1,991,509
Cash and cash equivalents, beginning	27,155,679	25,164,170
Cash and cash equivalents, ending	\$ 11,071,266	\$ 27,155,679
Supplemental disclosure of cash flow information, cash payments for interest, net of amounts capitalized	7,969,515	7,296,457

The Notes to Combined Financial Statements are an integral part of these statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Virginia United Methodist Homes, Inc. d/b/a Pinnacle Living is a non-stock, §501(c)(3) (tax-exempt) entity organized under the laws of the Commonwealth of Virginia for the purpose of providing quality care and support for older persons in the Commonwealth of Virginia. Pinnacle Living currently operates four active life plan communities, a community based continuing care program, and one §509(a)(3) entity throughout the Commonwealth of Virginia. Of Pinnacle Living's four active life plan communities, two accept term lease contracts, and two accept entrance fee contracts. Specifically, the communities that make up Pinnacle Living are as follows:

Hermitage Northern Virginia, located in Alexandria, Virginia

- Effective August 1, 2022, Pinnacle Living sold Hermitage Northern Virginia to Goodwin Living. Hermitage Northern Virginia had 125 Assisted Living apartments and 121 health care beds. It opened in 1962 and represented approximately 9.8% of Pinnacle Living's total revenue for the fiscal year ended 2022. Hermitage Northern Virginia does not secure the bonds.
- The sale price was \$24,609,000. The unrestricted gain on the sale of property was \$17,458,790. Along with the sale, Pinnacle Living transferred over \$268,478 in restricted funds. This was recorded as a restricted loss on the sale of the property. The sale included 24 health care licenses.
- Pinnacle Living also transferred ownership of its remaining licenses to Woodbine Property, LLC for \$5,335,000. These proceeds are included in the Other Operating Revenue on the Combined Statement of Activities.

Hermitage Richmond located in Richmond, Virginia

- A Pinnacle Living term contract life plan community.
- The average age of residents entering Hermitage Richmond for all levels of support is 84+.
- The principal market is Richmond City, near west end of Henrico County, and parts of central and eastern Hanover County, Virginia.
- Revenue is primarily derived from resident fees.

Hermitage Roanoke located in Roanoke, Virginia

- A Pinnacle Living term contract life plan community.
- The average age of residents entering independent living is 75+, 85+ for assisted living, and 90+ for the health center.
- The principal markets are the counties of Bedford, Botetourt, Franklin and Roanoke, the city of Salem, and the town of Vinton, Virginia.
- Revenue is primarily derived from resident fees.

Cedarfield located in Henrico, Virginia

- A Pinnacle Living entrance fee life plan community.
- The average age of residents entering Cedarfield is 65 - 84 for independent living. Cedarfield is a life-care community and as such fills its assisted living and health center primarily through internal transfers.
- The principal markets are the counties of Henrico and Goochland and parts of Richmond City, Virginia.
- Revenue is primarily derived from resident fees.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Pinnacle Advantage located in Henrico, Virginia

- A Pinnacle Living early acceptance program.
- Target age for participation in Pinnacle Advantage is 65 – 85.
- Pinnacle Advantage provides certain amenities at Cedarfield while a member remains in their home and provides a path for transitioning to Cedarfield’s health services when needed.

WindsorMeade Williamsburg located in Williamsburg, Virginia

- In 2003, Pinnacle Living formed a non-stock, §501(c)(3) (tax-exempt) entity, Virginia United Methodist Homes of Williamsburg, Inc., dba WindsorMeade Williamsburg (“WindsorMeade”). Pinnacle Living is the sole member of WindsorMeade and has the right to appoint its directors.
- A Pinnacle Living entrance fee life plan community.
- The average age of residents entering WindsorMeade is 70+ for independent living. WindsorMeade predominately fills its assisted living and health center from internal transfers.
- WindsorMeade’s principal markets are James City County and Williamsburg, Virginia.
- The majority of revenue is derived from resident fees.

Hermitage Capital and Reserve Corporation

- In 2013, Pinnacle Living formed a supporting organization as contemplated under §509(a)(3) of the Internal Revenue Code entitled Hermitage Capital and Reserve Corporation (“HCRC”). HCRC is a Virginia non-stock corporation exempt from taxation pursuant to IRC §501(c)(3).
- Pinnacle Living is the sole member of HCRC with the right to appoint all but one of the directors. WindsorMeade is entitled to appoint the other director. HCRC maintains funds that may only be used to support Pinnacle Living and/or WindsorMeade.

Senior Living Partners of Virginia, LLC

- In 2020, Pinnacle Living and Lifespire of Virginia, a trading name for Virginia Baptist Homes, Inc. (“Lifespire”) formed Senior Living Partners of Virginia, LLC, a Virginia limited liability company (“SLPV”). Pinnacle Living and Lifespire are the two members of SLPV.
- SLPV is in the process of applying for status as a public charity under IRC §501(c)(3). SLPV will provide home health services under a license from the Virginia Department of Health and home care services, such as private duty nurses, from separate limited liability companies of which it will be the sole member.
- SLPV is governed by a Board of Managers consisting of five members, two of whom are appointed by Pinnacle Living, two of whom are appointed by Lifespire and one of whom is appointed from the community by the mutual agreement of Pinnacle Living and Lifespire.

Pinnacle Living, WindsorMeade, and HCRC are collectively referred to as the “Organization”.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Accounts receivable

The Organization routinely extends credit in connection with the Organization's activities to residents in its communities. Accounts are carried at their estimated collectible amounts and are generally extended on a short-term basis and therefore do not bear interest.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expenses incurred were \$910,950 and \$1,221,049 for the years ended May 31, 2023 and 2022, respectively.

Allowance for uncollectible accounts

The allowance for uncollectible accounts is established through a provision for uncollectible accounts charged to expense. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing accounts that may become uncollectible. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of individual accounts receivable. Accounts receivable are charged against the allowance when deemed to be uncollectible. Subsequent recoveries are added to the allowance.

Assets whose use is limited

Assets whose use is limited consist of the following:

- Assets restricted by bond indenture agreements, which may be expended only in connection with Pinnacle Living (for debt taken out on Cedarfield) and WindsorMeade.
- Assets held for contingences with Pinnacle Living's annuity bonds.
- Assets restricted by escrow agreements to secure deposits made by prospective residents of Pinnacle Living and WindsorMeade.
- Assets held on behalf of the residents.

Beneficial interest in trusts

Beneficial interest in perpetual trusts is recognized when the decedent's will is declared valid by the probate court. The amount recognized (fair value) is determined by discounting the expected future cash flows using an appropriate discount rate, which may be based on a 30-year U.S. Treasury security or the actual yield of the trust if known. After the original recognition of the beneficial interest in a trust, the Organization will annually review the fair value of its beneficial interest and adjust as necessary. At times, the Organization may have beneficial interests in trusts where sufficient financial information is not readily available to record these interests. However, these interests may be significant.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Bond issuance costs

Bond issuance costs are amortized over the lives of the related bonds and the amortization is included as part of interest expense. For Pinnacle Living, the 2012 bonds will amortize its bond issuance costs until 2028. The 2017C and 2019 bonds will have their bond issuance costs amortized until 2053. For WindsorMeade, bond issuance costs for the 2021 bonds will amortize its bond issuance costs until 2040. Amortization was \$174,291 and \$160,944 for the years ended May 31, 2023, and 2022, respectively.

Cash and cash equivalents

For purposes of reporting the combined statements of cash flows, the Organization includes all general fund cash accounts without and with donor restrictions, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments with a maturity of three months or less as cash and cash equivalents.

Combination and basis of financial statement presentation

The accompanying combined financial statements include the accounts of Pinnacle Living, WindsorMeade and Hermitage Capital and Reserve Corporation. All significant intercompany transactions and balances have been eliminated in the combined financial statements.

The combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and general industry practices.

Contributed services

During the years ended May 31, 2023, and 2022, the value of contributed services meeting the requirements for recognition in the combined financial statements was not material and has not been recorded. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's various activities.

Contributions

Contributions received are recorded without or with donor restrictions depending on the existence or nature of any donor restrictions.

Derivative Instrument

WindsorMeade uses an interest rate cap to effectively place a ceiling on the variable rate interest WindsorMeade will have to pay on 2023 bonds (formerly the 2021B bonds). The change in the fair value of the cap agreement which resulted in a gain of \$750,656 and \$950,781 is included in net unrealized gain (loss) on investments on the combined statement of activities for the year ended May 31, 2023 and May 31, 2022, respectively, and the payments from the counterparty to the cap are netted with the interest expense on the bonds.

The cap asset is measured at fair value using Level 3 fair value measurement inputs as defined in Note 4.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Entrance fees

Fees paid by a resident upon entering a continuing care contract, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Entrance fees are listed on the combined statements of cash flows as *Proceeds after first generation entrance fees* and *Proceeds of first-generation entrance fees*. *Proceeds after first generation entrance fees* represent entrance fees received after first generation entrance fees (or after a particular residence is originally occupied). These entrance fees are not restricted or designated for a particular purpose. Proceeds of first-generation entrance fees represent entrance fees with Cedarfield's new independent living apartments. These entrance fees will be used to pay the 2019B bonds. Anything collected above what is owed on the 2019B bonds is not restricted or designated for another purpose.

Cedarfield and WindsorMeade require residents in the independent living residences to pay a one-time upfront entrance fee, typically between \$147,760 to \$1,408,710, which is partially refundable in certain circumstances. The amount of the entrance fee varies depending upon the type and size of the residence, the type of contract plan selected, whether the contract contains a life-care benefit for the resident, the amount and timing of the refund, and other variables. These agreements are subject to regulation by the Virginia State Corporation Commission. In addition to a resident's entrance fee, residents under all of the Organization's entrance fee agreements also pay a monthly service fee, which entitles them to the use of certain amenities and services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation

The primary purpose of financial statements is to provide relevant information to meet the common interest of donors, members, creditors, and others who provide resources to the Organization. More specifically, the purpose of financial statements, including the accompanying notes, is to provide information about the following: a) the amount and nature of the Organization's assets, liabilities and net assets; b) the effects of transactions and other events and circumstances that change the amount and nature of net assets, c) the amount and kinds of inflows and outflows of economic resources during a period and the relation between the inflows and outflows; d) how the Organization obtains and spends cash, its borrowing and repayment of borrowing, and other factors that may affect its liquidity; e) the service efforts of the Organization.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Financial statement presentation, continued

General-purpose external financial statements include a statement of financial position (or balance sheet), a statement of activities and a cash flow statement. In addition, certain entities provide either a statement or footnote disclosure of functional expenses. Further, general-purpose financial statements classify and report net assets in two groups; net assets with donor restrictions and net assets without donor restrictions based on the existence or absence of donor-imposed restrictions and the nature of those restrictions.

Net assets without donor restrictions include resources that can be used currently for the general operations of the Organization and amounts designated by the Board for contingencies.

Net assets with donor restrictions may be temporary or permanent. Some donor-imposed restrictions impose limits that are permanent, for example, stipulated those resources be invested in perpetuity. Others are temporary, for example, stipulated that resources may be used only after a specified date, for programs or services, or to acquire buildings and equipment.

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying combined statements of activities. Note 17 - Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as personnel costs, professional services, office expenses, information technology, insurance, and other costs, which are allocated on the basis of estimates of time and effort.

Income taxes

Pinnacle Living, WindsorMeade, and HCRC are non-stock corporations exempt from taxation pursuant to IRC § 501(c)(3). Contributions to Pinnacle Living, WindsorMeade, and HCRC are tax deductible. Before soliciting contributions to HCRC, Pinnacle Living would amend its filing with the IRS to state the fact that it intended to make solicitations from the public. None of the entities that comprise the Organization are classified as private foundations under IRC § 509(a)(1) and 170(b)(1)(A)(vi). HCRC is a supporting organization for Pinnacle Living and WindsorMeade pursuant to IRC § 509(a)(3).

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the taxing authorities for years ending before May 31, 2020.

The Organization includes penalties and interest assessed by income taxing authorities in other non-operating charges and fees. The Organization did not have penalties and interest relating to income taxes for the years ended May 31, 2023, and 2022.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments and investment income

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined balance sheets. Unrealized gains and losses are included in the change in net assets as required by accounting standards. The Organization has also adopted authoritative guidance regarding the *Endowment of Not-for Profit Organizations: Net Asset Classification of Fund Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

Obligation to provide future services

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. Any obligation is discounted based on the expected long-term rate of return of invested funds. Pinnacle Living and WindsorMeade did not have an obligation to provide future services for fiscal 2023 or fiscal 2022.

Original issue discount and original issue premium

The original issue premium on bonds payable is amortized into interest expense using the effective interest method.

Property and equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair market value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following table summarizes the estimated useful lives of the assets:

Landscaping.....	5 to 25 years
Buildings.....	35 to 50 years
Building additions or upgrades.....	5 to 40 years
Large equipment.....	5 to 15 years
Small equipment.....	2 to 7 years

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Net Assets With and Without Donor Restrictions

Net assets with and without donor restrictions include the following:

Pinnacle Living		
	May 31, 2023	May 31, 2022
Without Donor Restrictions		
Undesignated	\$ 36,013,384	\$ 24,291,039
With board designations		
Samaritan Program	4,992,755	5,162,876
With Donor Restrictions		
Purpose restricted programs		
Angel Fund	50,571	72,598
Community Enrichment Fund	94,444	52,430
Flower Fund	13,305	3,140
Library Funds	4,542	1,358
Technology Fund	8,589	735
Spiritual Life Fund	32,756	23,657
Resident Program Fund	20,264	9,125
Scholarship Fund	148,360	134,727
Pinnacle Hero	-	3,225
Samaritan Program	2,330,046	2,854,944
Innovation Fund	120,778	-
Perpetual in nature		
Investments	2,973,938	2,973,938
Beneficial interest in trusts	15,123,495	19,739,753
Total net assets	\$ 61,927,227	\$ 55,323,545

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Net Assets With and Without Donor Restrictions (continued)

WindsorMeade		
	May 31, 2023	May 31, 2022
Without Donor Restrictions		
Undesignated	\$ (27,507,022)	\$ (26,410,534)
With Donor Restrictions		
Purpose restricted programs		
Angel Fund	20,620	19,924
Community Enrichment Fund	36,182	30,650
Library Funds	100	-
Resident Program Fund	1,247	1,247
Scholarship Fund	49,748	46,497
Samaritan Program	101,718	70,973
Total net assets	\$ (27,297,407)	\$ (26,241,243)

Hermitage Capital & Reserve Corporation		
	May 31, 2023	May 31, 2022
Without Donor Restrictions		
Undesignated	\$ 29,689,702	\$ 16,618,908

Combined		
	May 31, 2023	May 31, 2022
Total net assets	\$ 64,319,522	\$ 45,701,210

NOTES TO COMBINED FINANCIAL STATEMENTS

3. Investments

Fiscal 2023 information is provided below:

May 31, 2023			
Pinnacle Living			
	Total Cost	Total FMV	Unrealized Appreciation (Depreciation)
Cash / Money Market Funds / CDs	\$ 22,915,048	\$ 22,922,139	\$ 7,091
Mutual funds	32,400,175	31,424,807	(975,368)
Stocks	9,859,484	10,956,344	1,096,860
Bonds	30,019,895	27,192,945	(2,826,950)
Total Pinnacle Living	\$ 95,194,602	\$ 92,496,235	\$ (2,698,367)

May 31, 2023			
WindsorMeade			
	Total Cost	Total FMV	Unrealized Appreciation (Depreciation)
Cash / Money Market Funds / CDs	\$ 17,391,018	\$ 17,384,179	\$ (6,839)
Total WindsorMeade	\$ 17,391,018	\$ 17,384,179	\$ (6,839)

May 31, 2023			
Hermitage Capital & Reserve Corporation			
	Total Cost	Total FMV	Unrealized Appreciation (Depreciation)
Cash / Money Market Funds / CDs	\$ 1,557,487	\$ 1,557,486	\$ (1)
Mutual funds	28,962,016	27,121,037	(1,840,979)
Total HCRC	\$ 30,519,503	\$ 28,678,523	\$ (1,840,980)

May 31, 2023			
Combined			
	Total Cost	Total FMV	Unrealized Appreciation (Depreciation)
Cash / Money Market Funds / CDs	\$ 41,863,553	\$ 41,863,804	\$ 251
Mutual funds	61,362,191	58,545,844	(2,816,347)
Stocks	9,859,484	10,956,344	1,096,860
Bonds	30,019,895	27,192,945	(2,826,950)
Total Combined	\$ 143,105,123	\$ 138,558,937	\$ (4,546,186)

Investments are managed for the Organization by outside parties.

NOTES TO COMBINED FINANCIAL STATEMENTS

3. Investments (Continued)

Fiscal 2022 information is provided below:

May 31, 2022			
Pinnacle Living			
	Total Cost	Total FMV	Unrealized Appreciation (Depreciation)
Cash / Money Market Funds / CDs	\$ 28,400,308	\$ 28,400,308	\$ -
Mutual funds	23,755,249	24,434,518	679,269
Stocks	5,256,752	6,502,576	1,245,824
Bonds	23,900,243	21,833,611	(2,066,632)
Total Pinnacle Living	\$ 81,312,552	\$ 81,171,013	\$ (141,539)

May 31, 2022			
WindsorMeade			
	Total Cost	Total FMV	Unrealized Appreciation (Depreciation)
Cash / Money Market Funds / CDs	\$ 6,164,995	\$ 6,164,995	\$ -
Total WindsorMeade	\$ 6,164,995	\$ 6,164,995	\$ -

May 31, 2022			
Hermitage Capital & Reserve Corporation			
	Total Cost	Total FMV	Unrealized Appreciation (Depreciation)
Cash / Money Market Funds / CDs	\$ 41,150	\$ 41,150	\$ -
Mutual funds	16,927,800	15,806,331	(1,121,469)
Total HCRC	\$ 16,968,950	\$ 15,847,481	\$ (1,121,469)

May 31, 2022			
Combined			
	Total Cost	Total FMV	Unrealized Appreciation (Depreciation)
Cash / Money Market Funds / CDs	\$ 34,606,453	\$ 34,606,453	\$ -
Mutual funds	40,683,049	40,240,849	(442,200)
Stocks	5,256,752	6,502,576	1,245,824
Bonds	23,900,243	21,833,611	(2,066,632)
Total Combined	\$ 104,446,497	\$ 103,183,489	\$ (1,263,008)

NOTES TO COMBINED FINANCIAL STATEMENTS

3. Investments (Continued)

These investments are shown on the combined balance sheets as follows:

	2023	2022
Investments without donor restrictions	\$ 108,870,370	\$ 63,308,306
Investments with donor restrictions	5,214,158	5,867,935
Assets whose use is limited	24,474,409	34,007,248
Total combined	\$ 138,558,937	\$ 103,183,489

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value

Generally Accepted Accounting Principles (GAAP) requires disclosure of the fair value of certain assets, the valuation techniques employed to determine fair value, and provides the framework for measuring fair value. The fair value framework includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

Level 1 Input

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. A Level 1 input will be available for many financial assets and liabilities, some of which might be exchanged in multiple active markets.

Level 2 Input

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Input

Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances.

A description of the valuation methodologies used for assets measured by fair value is below. There have been no changes in the methodologies used at May 31, 2023 and 2022.

Money market funds

Money market funds are valued at the net asset value of shares held at year end.

Mutual funds

Mutual funds are valued at the net asset value of shares held at year end.

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

Stocks

Stocks are valued based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Bonds

Corporate bonds are valued using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used are for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bonds, or single-name credit default swap spreads and recovery rates based on collateral values as key inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

The fair value of government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority. Government bonds are generally categorized in Levels 1 and 2.

Beneficial interest in trusts

Fair value for the beneficial interest in charitable trusts is determined by calculating the present value of the future distributions expected to be received from the trust using a discount rate.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

Fiscal 2023 information is provided below:

May 31, 2023				
Pinnacle Living				
	Total FMV	Level 1	Level 2	Level 3
Cash/Money market funds				
Cash and money market funds	\$ 22,922,139	\$ 22,862,145	\$ 59,994	\$ -
Mutual Funds				
Foreign large blend	5,461,374	5,461,374	-	-
Large cap value	11,527,776	11,527,776	-	-
Real assets	2,237,771	2,237,771	-	-
Real estate	2,239,580	2,239,580	-	-
Short term bond	3,847,881	3,847,881	-	-
Small cap value	4,938,690	4,938,690	-	-
Ultrashort bond	1,171,735	1,171,735	-	-
Stocks				
Large cap core	1,453,518	1,453,518	-	-
Large cap growth	5,188,312	5,188,312	-	-
Large cap value	17,367	17,367	-	-
Mid cap core	1,885,820	1,885,820	-	-
Mid cap growth	533,579	533,579	-	-
Mid cap value	1,308,573	1,308,573	-	-
Small blend	94,745	94,745	-	-
Small cap core	324,003	324,003	-	-
Small cap growth	21,869	21,869	-	-
Small cap value	128,558	128,558	-	-
Bonds				
Agency	10,382,916	10,382,916	-	-
Corporate	12,209,475	-	12,209,475	-
Government	4,460,725	4,455,444	5,281	-
Foreign	139,829	139,829	-	-
Beneficial interest in trusts	15,123,495	-	-	15,123,495
Total Pinnacle Living	\$ 107,619,730	\$ 80,221,485	\$ 12,274,750	\$ 15,123,495

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

May 31, 2023				
WindsorMeade				
	Total FMV	Level 1	Level 2	Level 3
Cash/Money market funds				
Cash and money market funds	\$ 17,384,179	\$ 11,160,045	\$ 6,224,134	
Total WindsorMeade	\$ 17,384,179	\$ 11,160,045	\$ 6,224,134	\$ -

May 31, 2023				
Hermitage Capital and Reserve Corporation				
	Total FMV	Level 1	Level 2	Level 3
Cash/Money market funds				
Cash and money market funds	\$ 1,557,486	\$ 1,557,486	\$ -	\$ -
Mutual Fund				
Intermediate core bond	5,473,192	5,473,192	-	-
Large cap growth	2,740,541	2,740,541	-	-
Large cap value	2,671,374	2,671,374	-	-
Mid cap growth	1,338,182	1,338,182	-	-
Mid cap value	1,343,045	1,343,045	-	-
Short term bond	13,159,791	13,159,791	-	-
Ultrashort bond	394,912	394,912	-	-
Total HCRC	\$ 28,678,523	\$ 28,678,523	\$ -	\$ -

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

May 31, 2023				
Combined				
	Total FMV	Level 1	Level 2	Level 3
Cash/Money market funds				
Cash and money market funds	\$ 41,863,804	\$ 35,579,676	\$ 6,284,128	\$ -
Mutual Funds				
Foreign large blend	5,461,374	5,461,374	-	-
Intermediate core bond	5,473,192	5,473,192	-	-
Large cap growth	2,740,541	2,740,541	-	-
Large cap value	14,199,150	14,199,150	-	-
Mid cap growth	1,338,182	1,338,182	-	-
Mid cap value	1,343,045	1,343,045	-	-
Real assets	2,237,771	2,237,771	-	-
Real estate	2,239,580	2,239,580	-	-
Short term bond	17,007,672	17,007,672	-	-
Small cap value	4,938,690	4,938,690	-	-
Ultrashort bond	1,566,647	1,566,647	-	-
Stocks				
Large cap core	1,453,518	1,453,518	-	-
Large cap growth	5,188,312	5,188,312	-	-
Large cap value	17,367	17,367	-	-
Mid cap core	1,885,820	1,885,820	-	-
Mid cap growth	533,579	533,579	-	-
Mid cap value	1,308,573	1,308,573	-	-
Small blend	94,745	94,745	-	-
Small cap core	324,003	324,003	-	-
Small cap growth	21,869	21,869	-	-
Small cap value	128,558	128,558	-	-
Bonds				
Agency	10,382,916	10,382,916	-	-
Corporate	12,209,475	-	12,209,475	-
Government	4,460,725	4,455,444	5,281	-
Foreign	139,829	139,829	-	-
Beneficial interest in trusts	15,123,495	-	-	15,123,495
Total Combined	\$ 153,682,432	\$ 120,060,053	\$ 18,498,884	\$ 15,123,495

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

Fiscal 2022 information is provided below.

May 31, 2022				
Pinnacle Living				
	Total FMV	Level 1	Level 2	Level 3
Cash/Money market funds				
Cash and money market funds	\$ 28,400,308	\$ 28,400,308	\$ -	\$ -
Mutual Funds				
Foreign large blend	3,224,930	3,224,930	-	-
Large cap value	7,052,626	7,052,626	-	-
Real assets	1,636,156	1,636,156	-	-
Real estate	1,750,351	1,750,351	-	-
Short term bond	6,271,616	6,271,616	-	-
Small cap value	3,396,231	3,396,231	-	-
Ultrashort bond	1,102,608	1,102,608	-	-
Stocks				
Large cap core	915,202	915,202	-	-
Large cap growth	2,268,695	2,268,695	-	-
Large cap value	145,974	145,974	-	-
Mid cap core	1,191,423	1,191,423	-	-
Mid cap growth	534,877	534,877	-	-
Mid cap value	1,044,397	1,044,397	-	-
Small blend	17,510	17,510	-	-
Small cap core	154,128	154,128	-	-
Small cap growth	98,730	98,730	-	-
Small cap value	131,640	131,640	-	-
Bonds				
Agency	2,701,708	2,701,708	-	-
Corporate	9,756,775	-	9,756,775	-
Government	3,890,955	2,391,046	1,499,909	-
Foreign	3,673,054	3,673,054	-	-
Principal paydown	1,811,119	-	1,811,119	-
Beneficial interest in trusts	19,739,753	-	-	19,739,753
Total Pinnacle Living	\$ 100,910,766	\$ 68,103,210	\$ 13,067,803	\$ 19,739,753

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

May 31, 2022				
WindsorMeade				
	Total FMV	Level 1	Level 2	Level 3
Cash/Money market funds				
Cash and money market funds	\$ 6,164,995	\$ 6,164,995	\$ -	\$ -
Total WindsorMeade	\$ 6,164,995	\$ 6,164,995	\$ -	\$ -

May 31, 2022				
Hermitage Capital and Reserve Corporation				
	Total FMV	Level 1	Level 2	Level 3
Cash/Money market funds				
Cash and money market funds	\$ 41,150	\$ 41,150	\$ -	\$ -
Mutual Fund				
Intermediate core bond	1,633,634	1,633,634	-	-
Large cap growth	308,036	308,036	-	-
Large cap value	542,451	542,451	-	-
Short term bond	12,193,679	12,193,679	-	-
Ultrashort bond	1,128,531	1,128,531	-	-
Total HCRC	\$ 15,847,481	\$ 15,847,481	\$ -	\$ -

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

May 31, 2022				
Combined				
	Total FMV	Level 1	Level 2	Level 3
Cash/Money market funds				
Cash and money market funds	\$ 34,606,453	\$ 34,606,453	\$ -	\$ -
Mutual Funds				
Foreign large blend	3,224,930	3,224,930	-	-
Intermediate core bond	1,633,634	1,633,634	-	-
Large cap growth	308,036	308,036	-	-
Large cap value	7,595,077	7,595,077	-	-
Real assets	1,636,156	1,636,156	-	-
Real estate	1,750,351	1,750,351	-	-
Short term bond	18,465,295	18,465,295	-	-
Small cap value	3,396,231	3,396,231	-	-
Ultrashort bond	2,231,139	2,231,139	-	-
Stocks				
Large cap core	915,202	915,202	-	-
Large cap growth	2,268,695	2,268,695	-	-
Large cap value	145,974	145,974	-	-
Mid cap core	1,191,423	1,191,423	-	-
Mid cap growth	534,877	534,877	-	-
Mid cap value	1,044,397	1,044,397	-	-
Small blend	17,510	17,510	-	-
Small cap core	154,128	154,128	-	-
Small cap growth	98,730	98,730	-	-
Small cap value	131,640	131,640	-	-
Bonds				
Agency	2,701,708	2,701,708	-	-
Corporate	9,756,775	-	9,756,775	-
Government	3,890,955	2,391,046	1,499,909	-
Foreign	3,673,054	3,673,054	-	-
Principal Paydown	1,811,119	-	1,811,119	-
Beneficial interest in trusts	19,739,753	-	-	19,739,753
Total Combined	\$ 122,923,242	\$ 90,115,686	\$ 13,067,803	\$ 19,739,753

NOTES TO COMBINED FINANCIAL STATEMENTS

4. Fair Value (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Beneficial interest in trusts		
May 31, 2021	\$	23,404,338
Change in value		(3,664,585)
May 31, 2022	\$	19,739,753
Change in value		(4,616,258)
May 31, 2023	\$	15,123,195

5. Assets Whose Use is Limited

Assets whose use is limited consists of the following:

	May 31, 2023		
	Pinnacle Living	WindsorMeade	Total
Investments held under indenture agreement by Trustee			
Bond principal fund	\$ 2,133,567	\$ -	\$ 2,133,567
Bond interest fund	2,855,678	601,230	3,456,908
Debt service reserve fund	7,346,567	2,419,292	9,765,859
Construction fund	9,108,630	-	9,108,630
Capital reserve and replacement fund	-	9,445	9,445
Total investments as assets whose use is limited	21,444,442	3,029,967	24,474,409
Resident accounts	7,085	-	7,085
Guild accounts	31,522	-	31,522
Assets held from prospective members			
To secure deposits	341,568	242,272	583,840
Future deposits	632,000	446,000	1,078,000
Assets held in reserve for annuity bonds	21,668	-	21,668
Total assets whose use is limited	\$ 22,478,285	\$ 3,718,239	\$ 26,196,524

There were no assets whose use was limited for HCRC in fiscal year 2023.

NOTES TO COMBINED FINANCIAL STATEMENTS

5. Assets Whose Use is Limited (Continued)

	May 31, 2022		
	Pinnacle Living	WindsorMeade	Total
Investments held under indenture agreement by Trustee			
Bond principal fund	\$ 2,160,028	\$ -	\$ 2,160,028
Bond interest fund	2,903,091	625,440	3,528,531
Debt service reserve fund	7,218,485	2,419,412	9,637,897
Construction fund	15,560,649	-	15,560,649
Capital reserve and replacement fund	-	3,120,143	3,120,143
Total investments as assets whose use is limited	27,842,253	6,164,995	34,007,248
Resident accounts	13,410	-	13,410
Guild accounts	39,335	-	39,335
Escrow deposit on sale of Hermitage Northern Virginia	1,335,000	-	1,335,000
Assets held from prospective members			
To secure deposits	1,318,368	77,615	1,395,983
Future deposits	613,757	165,000	778,757
Assets held in reserve for annuity bonds	31,775	-	31,775
Total assets whose use is limited	\$ 31,193,898	\$ 6,407,610	\$ 37,601,508

There were no assets whose use was limited for HCRC in fiscal year 2022.

NOTES TO COMBINED FINANCIAL STATEMENTS

6. Property and Equipment

A summary of property and equipment is as follows:

May 31, 2023				
	Pinnacle Living	WindsorMeade	HCRC	Total
Land and landscaping	\$ 7,896,663	\$ 5,308,592	145,692	\$ 13,350,947
Leasehold improvements	409,442	-	-	409,442
Buildings	176,257,599	126,855,520	-	303,113,119
Furniture and equipment	10,294,895	3,698,093	-	13,992,988
Capital projects in process	12,740,872	2,594,127	-	15,334,999
Capitalized interest	6,669,339	-	-	6,669,339
Property and equipment, gross	214,268,810	138,456,332	145,692	352,870,834
Less: Accumulated depreciation	(80,641,588)	(50,962,172)	-	(131,603,760)
Property and equipment, net	\$ 133,627,222	\$ 87,494,160	\$ 145,692	\$ 221,267,074

May 31, 2022				
	Pinnacle Living	WindsorMeade	HCRC	Total
Land and landscaping	\$ 7,287,569	\$ 5,115,388	\$ 145,692	\$ 12,548,649
Leasehold improvements	94,001	-	-	94,001
Buildings	194,781,223	125,398,801	-	320,180,024
Furniture and equipment	9,275,050	3,294,641	-	12,569,691
Capital projects in process	10,615,799	1,380,770	-	11,996,569
Capitalized interest	6,275,608	-	-	6,275,608
Property and equipment, gross	228,329,250	135,189,600	145,692	363,664,542
Less: Accumulated depreciation	(91,786,442)	(46,986,723)	-	(138,773,165)
Property and equipment, net	\$ 136,542,808	\$ 88,202,877	\$ 145,692	\$ 224,891,377

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable

PINNACLE LIVING

On August 9, 2012, Pinnacle Living entered into a loan agreement with the Economic Development Authority of Henrico County, Virginia to borrow the proceeds of the Authority's \$30,425,000 Residential Care Facility Revenue Refunding Bonds, Series 2012. The Series 2012 Bonds are secured by a pledge of Pinnacle Living's revenues, a first lien deed of trust on the real estate portion of the Cedarfield facility, and a security interest in the equipment of the Cedarfield facility. The primary purpose of this loan was (a) refunding of the outstanding principal balance of the Authority's \$45,505,000 Residential Care Facility Revenue Refunding Bonds, Series 2002A and Series 2002B, (b) funding a Debt Service Reserve Fund for the Series 2012 Bonds, and (c) paying costs of issuance, and other amounts relating to the Series 2012 Bonds. The interest rates for the Series 2012 Bonds are fixed and range from 3.00% to 5.00%.

The Series 2012 Bonds principal and interest payments are as follows:

May 31, 2023			
Fiscal Year	Principal	Interest	Total
2024	\$ 2,270,000	\$ 513,456	\$ 2,783,456
2025	2,385,000	397,081	2,782,081
2026	2,500,000	274,956	2,774,956
2027	2,410,000	161,244	2,571,244
2028	2,515,000	55,016	2,570,016
Total	\$ 12,080,000	\$ 1,401,753	\$ 13,481,753

On December 27, 2017, Pinnacle Living entered into a loan agreement with the Virginia Small Business Financing Authority to borrow the proceeds of the Authority's Residential Care Facility Revenue Bonds, Series 2017C in the amount of \$54,710,000. The primary purpose of the Series 2017C Bond was to refund the Authority's \$25,060,000 and \$25,595,000 Residential Care Facility Revenue Bonds, Series 2017A and Series 2017B, (b) funding a Debt Service Reserve Fund for the Series 2017C Bonds, and (c) paying costs of issuance, and other amounts relating to the Series 2017 Bonds. The interest rates for the Series 2017C Bonds are fixed and range from 3.50% to 5.00%.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

The Series 2017C Bonds principal and interest payments are as follows:

May 31, 2023			
Fiscal Year	Principal	Interest	Total
2024	\$ -	\$ 2,717,850	\$ 2,717,850
2025	-	2,717,850	2,717,850
2026	-	2,717,850	2,717,850
2027	-	2,717,850	2,717,850
2028	-	2,717,850	2,717,850
2029	870,000	2,702,625	3,572,625
2030	910,000	2,664,650	3,574,650
2031	955,000	2,618,025	3,573,025
2032	1,005,000	2,569,025	3,574,025
2033	1,055,000	2,517,525	3,572,525
2034	1,110,000	2,463,400	3,573,400
2035	1,175,000	2,406,275	3,581,275
2036	1,230,000	2,346,150	3,576,150
2037	1,300,000	2,282,900	3,582,900
2038	1,365,000	2,216,275	3,581,275
2039	1,430,000	2,148,700	3,578,700
2040	1,505,000	2,077,625	3,582,625
2041	1,585,000	2,000,375	3,585,375
2042	1,840,000	1,914,750	3,754,750
2043	2,060,000	1,817,250	3,877,250
2044	2,165,000	1,711,625	3,876,625
2045	2,280,000	1,600,500	3,880,500
2046	2,395,000	1,483,625	3,878,625
2047	2,520,000	1,360,750	3,880,750
2048	2,650,000	1,231,500	3,881,500
2049	2,790,000	1,095,500	3,885,500
2050	4,750,000	907,000	5,657,000
2051	4,995,000	663,375	5,658,375
2052	5,250,000	407,250	5,657,250
2053	5,520,000	138,000	5,658,000
Total	\$ 54,710,000	\$ 58,933,925	\$ 113,643,925

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

On March 13, 2019, the Economic Development Authority of Henrico County, Virginia issued \$34,000,000 in Residential Care Facilities Revenue Bonds Series 2019A to provide funds to be used (1) to finance costs associated with renovation and expansion of Pinnacle Living's continuing care retirement community known as Cedarfield including (without limitation) (A) acquiring, constructing, designing, equipping and renovating additional independent living and assisted living units, (B) renovating existing independent living units, (C) renovating memory support facility, (D) acquiring, constructing, designing, equipping and renovating rehabilitation facility, (E) acquiring, constructing, designing, equipping and renovating health care (including assisted living and nursing care) and wellness center facility, (F) renovating common areas, (G) acquiring, constructing, designing, equipping and renovating dining, physical therapy, parking and wellness facility and (H) performing site work and other community-related improvement; and (2) to finance costs related to a debt service reserve fund, costs of issuance, funded interest through approximately July 1, 2020, working capital, routing capital expenditures at Cedarfield and other expenses in connection with the issuance of the Bonds. The interest rates for the Series 2019A Bonds are fixed and range from 4.00% to 5.00%.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

The Series 2019A Bonds principal and interest payments are as follows:

2019A Bonds			
May 31, 2023			
Fiscal Year	Principal	Interest	Total
2024	\$ -	\$ 1,695,513	\$ 1,695,513
2025	-	1,695,513	1,695,513
2026	-	1,695,513	1,695,513
2027	-	1,695,513	1,695,513
2028	-	1,695,513	1,695,513
2029	895,000	1,673,388	2,568,388
2030	935,000	1,628,163	2,563,163
2031	985,000	1,580,438	2,565,438
2032	1,035,000	1,529,938	2,564,938
2033	1,090,000	1,476,813	2,566,813
2034	1,145,000	1,420,938	2,565,938
2035	1,195,000	1,362,438	2,557,438
2036	1,260,000	1,301,063	2,561,063
2037	1,320,000	1,236,563	2,556,563
2038	1,390,000	1,168,813	2,558,813
2039	1,465,000	1,097,438	2,562,438
2040	1,535,000	1,022,438	2,557,438
2041	1,610,000	945,531	2,555,531
2042	1,650,000	865,750	2,515,750
2043	1,705,000	781,875	2,486,875
2044	1,795,000	694,375	2,489,375
2045	1,885,000	602,375	2,487,375
2046	1,980,000	505,750	2,485,750
2047	2,080,000	404,250	2,484,250
2048	2,185,000	297,625	2,482,625
2049	2,295,000	185,625	2,480,625
2050	595,000	113,375	708,375
2051	625,000	82,875	707,875
2052	655,000	50,875	705,875
2053	690,000	17,250	707,250
Subtotal	34,000,000	30,523,527	64,523,527
Original issue premium	395,310		395,310
Total	\$ 34,395,310	\$ 30,523,527	\$ 64,918,837

Simultaneously with the issuance of the Series 2019A Bonds, the Authority issued its \$11,000,000 Residential Care Facilities Revenue Bond Series 2019B as a separate resolution. The Series 2019B bonds have a separate Loan Agreement with STI Institution and Government, Inc., an affiliate of SunTrust Bank. These bonds are being issued on a draw-down basis. The interest rate for the Series 2019B bonds is 81% of LIBOR plus a spread of 1.40%. The average interest rate for fiscal 2022 was 1.22%. The principal on this bond has been paid.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

On August 31, 2021, WindsorMeade entered into a loan agreement with the Economic Development Authority of James City County, Virginia (the "Authority") to borrow the proceeds of the Authority's \$26,800,000 Residential Care Facility Revenue Refunding Bonds, Series 2021A ("Series 2021A Bonds").

- The proceeds from the Series 2021A Bonds were used to: (a) refinance the outstanding principal amount of the Authority's Series 2013A Subordinate Bonds, Series 2013B Senior Bonds and 2016 Bonds, (b) finance future routine capital projects, (c) fund a Debt Service Reserve Fund, and (d) pay cost of issuance related to the Series 2021A Bonds. The interest rates for the Series 2021A Bonds are fixed at 4.00%.

The Series 2021A Bonds scheduled principal and interest payments are as follows:

May 31, 2023			
Fiscal Year	Principal	Interest	Total
2024	\$ -	\$ 1,072,000	\$ 1,072,000
2025	60,000	1,070,800	1,130,800
2026	65,000	1,068,300	1,133,300
2027	65,000	1,065,700	1,130,700
2028	65,000	1,063,100	1,128,100
2029	75,000	1,060,300	1,135,300
2030	75,000	1,057,300	1,132,300
2031	75,000	1,054,300	1,129,300
2032	80,000	1,051,200	1,131,200
2033	85,000	1,047,900	1,132,900
2034	85,000	1,044,500	1,129,500
2035	90,000	1,041,000	1,131,000
2036	90,000	1,037,400	1,127,400
2037	95,000	1,033,700	1,128,700
2038	105,000	1,029,700	1,134,700
2039	105,000	1,025,500	1,130,500
2040	2,410,000	975,200	3,385,200
2041	2,505,000	876,900	3,381,900
2042	2,610,000	774,600	3,384,600
2043	2,720,000	668,000	3,388,000
2044	2,830,000	557,000	3,387,000
2045	2,945,000	441,500	3,386,500
2046	3,065,000	321,300	3,386,300
2047	3,185,000	196,300	3,381,300
2048	3,315,000	66,300	3,381,300
Subtotal	26,800,000	21,699,800	48,499,800
Original issue premium	1,364,129	-	1,364,129
Total	\$ 28,164,129	\$ 21,699,800	\$ 49,863,929

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

Simultaneously with the issuance of the Series 2021A Bonds, the Authority issued its \$29,365,000 Taxable Residential Care Facility Revenue Refunding Bond, Series 2021B ("Series 2021B Bond"), which, under the conditions set forth in a Forward Delivery Bond Purchase and Loan Agreement among the Authority, STI Institutional & Government, Inc. and WindsorMeade was refinanced on a tax-exempt basis by the Authority's \$28,765,000 Tax-Exempt Residential Care Facility Revenue Refunding Bond ("Series 2023 Bond") on March 7, 2023.

- The Series 2021B Bond was held by STI Institutional & Government, Inc. and the proceeds were used to: (a) refinance the outstanding principal amount of the Authority's Series 2013A Senior Bonds, and (b) pay cost of issuance related to the Series 2021B Bond. The Series 2021B Bond carried an interest rate equal to the daily Secured Overnight Financing Rate ("SOFR") plus 1.78% with a minimum rate of 1.95%.
- The Series 2023 Bond is held by STI Institutional & Government, Inc. and the proceeds will be used to refinance the outstanding principal amount of the Series 2021B Bond. The Series 2023 Bond carries an interest rate equal to 79% of daily SOFR plus 1.41% with a minimum rate of 1.54%. Effective August 31, 2021, WindsorMeade entered a captioned transaction ("cap") for \$750,000 with Truist Bank. The transaction effectively places a ceiling on the variable rate on the Series 2023 Bond of 2.91%.

Also on August 31, 2021, WindsorMeade entered into a \$2,075,000 taxable loan (the "2021 Taxable Loan") with Truist Bank and the proceeds were used to: (a) refinance the Authority's Series 2013C Bonds, (b) fund the cost of an interest rate cap, and (c) pay cost of issuance related to the 2021 Taxable Loan. The 2021 Taxable Loan carries an interest rate equal to daily SOFR plus 1.48% with a minimum rate of 1.65%.

The Series 2021A Bonds, the Series 2023 Bond (and the Series 2021B Bond prior to refinancing) and the 2021 Taxable Loan are secured by a pledge of WindsorMeade's revenues, a first lien deed of trust on the real estate portion of the WindsorMeade facility, and a security interest in the equipment of the WindsorMeade facility.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

The Series 2023 Bonds scheduled principal payments are as follows:

May 31, 2023	
Fiscal Year	Principal
2024	\$ 825,000
2025	1,525,000
2026	1,565,000
2027	1,610,000
2028	1,655,000
2029	1,700,000
2030	1,745,000
2031	1,790,000
2032	1,840,000
2033	1,890,000
2034	1,940,000
2035	1,995,000
2036	2,050,000
2037	2,105,000
2038	2,165,000
2039	2,245,000
Total	\$ 28,645,000

The Taxable Bonds scheduled principal payments are as follows:

May 31, 2023	
Fiscal Year	Principal
2024	\$ 770,000
Total	\$ 770,000

HERMITAGE CAPITAL AND RESERVE CORPORATION

Hermitage Capital and Reserve Corporation had no bonds or loans outstanding effective May 31, 2023 or 2022.

NOTES TO COMBINED FINANCIAL STATEMENTS

7. Bonds and Note Payable (Continued)

THE COMBINED ORGANIZATION

The bonds and note payable for fiscal years 2023 and 2022 shown on the combined balance sheets consist of the following:

	May 31, 2023	May 31, 2022
Pinnacle Living		
2012 senior bonds	\$ 12,080,000	\$ 14,240,000
2017C senior bonds	54,710,000	54,710,000
Premium on 2017C senior bonds	-	512,522
2019A senior bonds	34,000,000	34,000,000
Premium on 2019A senior bonds	395,310	592,960
Bond issuance costs, net	(2,143,040)	(2,263,919)
Payroll protection program	-	4,587,820
Total bonds, Pinnacle Living	99,042,270	106,379,383
WindsorMeade		
2021A senior bonds	26,800,000	26,800,000
Premium on 2021A senior bonds	1,364,129	1,783,865
2023B senior bonds	28,645,000	29,365,000
Taxable bonds	770,000	1,520,000
Bond issuance costs, net	(867,892)	(921,304)
Total bonds, WindsorMeade	56,711,237	58,547,561
Total bonds payable, combined	155,753,507	164,926,944

NOTES TO COMBINED FINANCIAL STATEMENTS

8. Employee Retirement Plan

The Organization has a defined contribution retirement plan. All employees may participate in the plan, however, full-time employees and those part-time employees who work over twenty hours a week are eligible for employer contributions as of the first payroll period. Employer contributions to the plan are approved by the Board of Directors. The total retirement expense for the years ended May 31, 2023 and 2022 was \$1,864,482 and \$1,812,179, respectively.

9. Concentrations of Credit Risk

The Organization has checking accounts and money market mutual funds, at financial institutions, which are not fully insured by the FDIC. The checking accounts are insured to the FDIC limit of \$250,000 per financial institution. On May 31, 2023, the Organization had cash balances in a financial institution in excess of the amounts insured by the FDIC.

The Organization does not require collateral for any of its receivables.

In certain circumstances and on a case-by-case basis, WindsorMeade may grant a prospective resident the option of deferring the payment of their entrance fee for up to three months in order to allow that resident to obtain the funds necessary to pay the entrance fee. This optional deferral is typically offered in circumstances where a resident has been unable to sell an existing home and requires funds from the sale to pay the entrance fee. This optional deferral program is an integral part of WindsorMeade's ability to attract interested and eligible residents. In the event the entrance fee is not paid on the entrance fee due date, the resident agrees to pay a finance charge of nine percent per annum until either (i) the balance of the entrance fee is paid in full or (ii) the Residency Agreement is terminated.

10. Commitments and Contingencies

Pinnacle Living entered into a long-term operating lease agreement for office facilities. The lease runs until March 31, 2028. The following is a schedule of the rental payments under the lease agreement:

<u>Year Ending</u>		
May 31, 2024	\$	114,157
May 31, 2025		117,580
May 31, 2026		121,100
May 31, 2027		124,747
March 31, 2028		106,808
Total future lease payments	\$	<u>584,392</u>

Total rental expense for the years ended May 31, 2023 and 2022 amounted to \$156,821 and \$180,783, respectively.

In accordance with ASC 842 the Organization's lease commitments are presented as a right to use asset of \$674,000 and a lease liability of \$720,000 and are included in other assets and other liabilities, respectively, on the Combined Balance Sheet.

NOTES TO COMBINED FINANCIAL STATEMENTS

10. Commitments and Contingencies

Self-Funded Health Insurance

- The Organization participates in a self-funded health insurance plan. The plan is managed by Scott Benefit Services with administrative services provided by Anthem Blue Cross and Blue Shield and stop loss reinsurance provided by QBE.
- The Plan year runs from October 1 – September 30.
- Financial projections are based on a blended analysis of historical claims experience and evaluation of manual claims. Due to the Organization's size and credibility of claims data, financial projections are 90% to 100% weighted toward projections based on actual paid claims experience.
- The Organization's self-funded health plan maintains an individual stop loss policy of \$100,000 and an aggregate stop loss policy of 125% of expected claims.
- There are no tax implications as all members of the captive are non-profit corporations.
- As of May 31, 2023 and 2022 the liability for incurred but not reported claims was \$162,843 and \$196,811, respectively.

The Organization

The Organization, from time to time, is a party to various legal actions normally associated with life plan communities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial condition of the Organization.

11. Related Party Transactions

The nature of the relationship between Pinnacle Living, WindsorMeade, and HCRC is described in footnote 1, *Nature of Operations and Summary of Significant Accounting Policies*. According to the Accounting Standards Codification (ASC) 850-10-50-1 "disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required." All intercompany transactions between Pinnacle Living, WindsorMeade, and HCRC have been eliminated in the combined financial statements.

12. Fair Value of Financial Instruments

Professional standards require disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Professional standards exclude certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Organization.

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

NOTES TO COMBINED FINANCIAL STATEMENTS

12. Fair Value of Financial Instruments (Continued)

Cash and cash equivalents, accounts receivable, other receivables, accrued income receivable, beneficial interest in trusts, and notes payable.

The carrying amount approximates fair value.

Investments

Fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Bonds payable

The fair values are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar bond financing and does not reflect market risk.

Organization's financial assets and liabilities as of May 31, 2023 and 2022:

	May 31, 2023		May 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	\$ 11,071,000	\$ 11,071,000	\$ 27,156,000	\$ 27,156,000
Accounts receivable	232,000	232,000	299,000	299,000
Other receivables	2,987,000	2,987,000	1,689,000	1,689,000
Accrued income receivable	180,000	180,000	118,000	118,000
Beneficial interest in trusts	15,123,000	15,123,000	19,740,000	19,740,000
Investments	108,870,000	108,870,000	63,308,000	63,308,000
Investments, with donor restrictions	5,214,000	5,214,000	5,868,000	5,868,000
Assets whose use is limited	26,197,000	26,197,000	37,602,000	37,602,000
Financial liabilities				
Bonds payable	155,754,000	141,903,000	164,927,000	158,057,000

NOTES TO COMBINED FINANCIAL STATEMENTS

13. Donor Restricted Funds

A donor may make a gift to Pinnacle Living without restrictions (i.e. unrestricted). However, Pinnacle Living also has ten donor restricted fund categories to which a donor may contribute. They are:

1. Angel Fund

Angel Fund gifts are a response to the desires of a community to give assistance to members of the community in crisis. Any resident, team member, contract team member, or volunteer of the community may make a request to nominate persons who are undergoing a crisis who might be a qualified recipient of assistance.

2. Community Enrichment Fund

Gifts restricted to community enrichment are to enhance the experience of living in the community for all residents. Use of such funds include community beautification such as landscape or garden plants, statuary and seating. The community may consider community enrichment recommendations from any donor, but in no event is the community bound in any way to honor the recommendation.

3. Flower Fund

Flower fund gifts are restricted to use in support of creation of chapel/vesper and common area flower arrangements which benefit the entire community. A donor may specify the gift as a tribute to honor or remember a loved one, expression of appreciation or recognition of a special occasion.

4. Library Fund

Gifts restricted to support community libraries enhance literary services through the provision of additional materials and services including magazine and newspaper subscriptions, acquisition of print and audio books, and organizational needs for the library setting.

5. Technology Fund

Gifts restricted to the technology fund provide resources to benefit communication, access to information and accessibility for all residents. Examples of projects and needs which can be funded by such gifts include audio/visual equipment, computer access, and speech, vision and memory enhancements.

6. Spiritual Life Fund

Gifts restricted to Spiritual Life in the community may include individual restricted contributions to enrich the spiritual life of residents. These funds may be used to enhance chapel/vesper services and facilities, provide resources for spiritual life programming, and to engage residents through special projects and service needs.

7. Resident Program Fund

Gifts restricted to resident activities support lifelong learning and engagement opportunities for residents, recognizing that activities and expectations vary by community. Use of the funds may include sponsorship of classes and workshops, provision of materials and supplies, purchase of fitness or entertainment equipment, and support of excursions.

NOTES TO COMBINED FINANCIAL STATEMENTS

13. Donor Restricted Funds (Continued)

8. Scholarship Fund

The Scholarship Fund is an educational enrichment program funded by contributions from generous donors committed to financially assisting selected team members who are pursuing a certification, degree, or taking continuing education courses to support and advance their career goals and who meet the eligibility requirements determined by community scholarship committees without regard to race, creed, or national origin using established application, rating and review processes. Awards are available to no more than ten percent (10%) of the eligible pool of applicants in any one year and are dependent upon availability of funds.

9. Pinnacle Hero

The purpose of the Pinnacle Heroes program is to provide support for retention of team members during the COVID-19 outbreak. This program ended in fiscal 2023.

10. Samaritan Program

The purpose of the Samaritan Program is to provide monies to defray the cost of providing services to persons in Pinnacle Living communities who are unable to provide such monies on their own behalf. Donors may temporarily restrict their gifts to a community. Such monies will be assigned to that community. Monies not temporarily restricted to a community shall be used to subsidize benevolent care in a community where the Samaritan Fund balance cannot meet the benevolent need. Contributions cannot be received for the benefit of a specific individual.

11. Innovation Fund

Gifts to this restricted fund empower creative collaboration between residents and team members to explore and implement innovative initiatives in support of the dimensions of the Pathways to Wellness program.

NOTES TO COMBINED FINANCIAL STATEMENTS

13. Donor Restricted Funds (Continued)

Pinnacle Living and WindsorMeade ending balance summaries as of May 31, 2023 for all restricted funds is as follows:

May 31, 2023				
	Corporate	Hermitage Richmond	Hermitage Roanoke	Cedarfield
Angel Fund	\$ -	\$ 8,308	\$ 100	\$ 42,163
Community Enrichment Fund	-	-	6,350	88,094
Flower Fund	-	-	150	13,155
Library Funds	-	-	-	4,542
Technology Fund	-	-	-	8,589
Spiritual Life Fund	-	1,611	1,227	29,918
Resident Program Fund	-	3,078	8,000	9,186
Scholarship Fund	-	13,378	11,056	123,926
Pinnacle Hero	-	-	-	-
Samaritan Program	104,130	524,960	-	1,700,956
Innovation Fund	-	-	-	120,778
Total Restricted Funds	\$ 104,130	\$ 551,335	\$ 26,883	\$ 2,141,307

	Pinnacle Living Obligated Group	WindsorMeade	Total
Angel Fund	\$ 50,571	\$ 20,620	\$ 71,191
Community Enrichment Fund	94,444	36,182	130,626
Flower Fund	13,305	-	13,305
Library Funds	4,542	100	4,642
Technology Fund	8,589	-	8,589
Spiritual Life Fund	32,756	-	32,756
Resident Program Fund	20,264	1,247	21,511
Scholarship Fund	148,360	49,748	198,108
Pinnacle Hero	-	-	-
Samaritan Program	2,330,046	101,718	2,431,764
Innovation Fund	120,778	-	120,778
Total Restricted Funds	\$ 2,823,655	\$ 209,615	\$ 3,033,270

NOTES TO COMBINED FINANCIAL STATEMENTS

13. Donor Restricted Funds (Continued)

Pinnacle Living and WindsorMeade ending balance summaries as of May 31, 2022 for all restricted funds is as follows:

	May 31, 2022			
	Corporate	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke
Angel Fund	\$ -	\$ 1,250	\$ 7,708	\$ -
Community Enrichment Fund	-	1,365	-	7,150
Flower Fund	-	-	-	150
Library Funds	-	-	-	-
Technology Fund	-	-	-	-
Spiritual Life Fund	-	489	1,361	1,150
Resident Program Fund	-	-	356	-
Scholarship Fund	-	-	10,852	-
Pinnacle Hero	-	1,150	-	2,075
Samaritan Program	161,378	265,374	681,964	-
Innovation Fund	-	-	-	-
Total Restricted Funds	\$ 161,378	\$ 269,628	\$ 702,241	\$ 10,525

	Pinnacle Living			
	Cedarfield	Obligated Group	WindsorMeade	Total
Angel Fund	\$ 63,640	\$ 72,598	\$ 19,924	\$ 92,522
Community Enrichment Fund	43,915	52,430	30,650	83,080
Flower Fund	2,990	3,140	-	3,140
Library Funds	1,358	1,358	-	1,358
Technology Fund	735	735	-	735
Spiritual Life Fund	20,657	23,657	-	23,657
Resident Program Fund	8,769	9,125	1,247	10,372
Scholarship Fund	123,875	134,727	46,497	181,224
Pinnacle Hero	-	3,225	-	3,225
Samaritan Program	1,746,228	2,854,944	70,973	2,925,917
Innovation Fund	-	-	-	-
Total Restricted Funds	\$ 2,012,167	\$ 3,155,939	\$ 169,291	\$ 3,325,230

NOTES TO COMBINED FINANCIAL STATEMENTS

14. Endowment (Samaritan) Program

In August 2008, the Financial Accounting Standards Board issued authoritative guidance regarding “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds”. The authoritative guidance provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The authoritative guidance also required additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Commonwealth of Virginia enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. Management has determined that a portion of the Organization’s net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

Donor-designated endowments (UPMIFA state)

The Organization’s endowment consists of one fund established to partially defray the cost of administering care to those persons who are otherwise unable to provide such monies on their own behalf (also called the Samaritan Program).

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (perpetual in nature) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (perpetual in nature) is classified as net assets with donor restrictions (purpose restricted), including investment income and realized and unrealized gains/losses, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization’s investment policies.

NOTES TO COMBINED FINANCIAL STATEMENTS

14. Endowment (Samaritan) Program (Continued)

Investment return objectives, risk parameters, and strategies

The Organization's investment philosophy is to obtain, over a period of years, a satisfactory level of current investment income and a reasonable increase in the value of the principal through market appreciation consistent with the preservation of the principal. In measuring the performance of the funds to the capital markets, the goal is to generate an annualized return of 30 basis points over a composite benchmark weighted twenty-five percent (25%) to the S&P 500 Common Stock Index and seventy-five percent (75%) to the Barclays Capital Aggregate Bond Index, at a risk level within one hundred twenty percent (120%) of the composite benchmark, over each three-to-five-year period. Performance is measured relative to peers by ensuring the invested funds are within the top-half of a blended universe weighted twenty-five percent (25%) equity funds and seventy-five percent (75%) fixed income funds over each three-to-five year period.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization's spending policy for endowment assets is based on a "total return" approach. Using this approach, the Organization will spend an amount based on needs of the Samaritan Program. As such, income and capital gains, realized or unrealized, will not have an effect on the spending policy, given the Organization maintains the standard of prudence prescribed by UPMIFA. Additional spending needs beyond the scope of the spending policy require approval by the Board of Directors. The spending policy is consistent with the Organization's objective to preserve and enhance the real value of the endowment through new gifts and investment return.

The assets of the Endowment (Samaritan) Program are included in the accompanying combined balance sheets as follows:

	May 31	
	Pinnacle Living	
	2023	2022
Cash and cash equivalents	\$ 277,339	\$ -
Investments	5,026,645	5,828,882
Beneficial interest in trusts	474,616	509,719
Total	\$ 5,778,600	\$ 6,338,601

WindsorMeade and the Hermitage Capital and Reserve Corporation do not have Perpetual in Nature Restrictions for 2023 or 2022.

NOTES TO COMBINED FINANCIAL STATEMENTS

14. Endowment (Samaritan) Program (Continued)

Changes in endowment (Samaritan) net assets and net asset composition by type of fund as of May 31, 2023 and 2022 are as follows:

May 31, 2023 Pinnacle Living With Donor Restrictions			
	Purpose Restricted	Perpetual in Nature	Total
Balance as of June 1, 2022	\$ 2,854,944	\$ 3,483,657	\$ 6,338,601
Contributions	159,457	-	159,457
Present value change in beneficial interest in trusts	-	(35,103)	(35,103)
Net investment activity	(101,566)	-	(101,566)
Benevolent care	(316,415)	-	(316,415)
Transfer out	(266,374)	-	(266,374)
Balance as of May 31, 2023	\$ 2,330,046	\$ 3,448,554	\$ 5,778,600

May 31, 2022 Pinnacle Living With Donor Restrictions			
	Purpose Restricted	Perpetual in Nature	Total
Balance as of June 1, 2021	\$ 3,296,882	\$ 3,503,327	\$ 6,800,209
Contributions	282,082	-	282,082
Present value change in beneficial interest in trusts	-	(19,670)	(19,670)
Net investment activity	(385,884)	-	(385,884)
Benevolent care	(338,136)	-	(338,136)
Balance as of May 31, 2022	\$ 2,854,944	\$ 3,483,657	\$ 6,338,601

May 31, 2023 WindsorMeade With Donor Restrictions			
	Purpose Restricted	Perpetual in Nature	Total
Balance as of June 1, 2022	\$ 70,973	\$ -	\$ 70,973
Contributions	29,058	-	29,058
Net investment activity	1,687	-	1,687
Balance as of May 31, 2023	\$ 101,718	\$ -	\$ 101,718

May 31, 2022 WindsorMeade With Donor Restrictions			
	Purpose Restricted	Perpetual in Nature	Total
Balance as of June 1, 2021	\$ 38,095	\$ -	\$ 38,095
Contributions	32,878	-	32,878
Balance as of May 31, 2022	\$ 70,973	\$ -	\$ 70,973

NOTES TO COMBINED FINANCIAL STATEMENTS

15. Contract Assets and Liabilities

The Organization does not have material contract assets. Contract liabilities relate to cash received from residents in connection with contracts for which revenue is recognized over time. Changes in the Organization's contract liabilities, which are included in refundable fees and deferred revenue, entrance fees on the combined balance sheets are as follows:

	Deferred Revenue		
	Refundable Fees	Entrance Fees	Total
Balance at May 31, 2021	\$ 56,565,241	\$ 98,779,403	\$ 155,344,644
Increases due to cash received	4,809,817	15,798,644	20,608,461
Decreases due to recognition of revenue	-	(13,062,906)	(13,062,906)
Refunds paid	(6,786,540)	(468,399)	(7,254,939)
Current year deferrals of entrance fees	192,395	583,980	776,375
Transfers between accounts	536,737	(536,737)	-
Other	1,741,046	(1)	1,741,045
Balance at May 31, 2022	\$ 57,058,696	\$ 101,093,984	\$ 158,152,680
Increases due to cash received	2,846,865	17,258,060	20,104,925
Decreases due to recognition of revenue	-	(12,652,781)	(12,652,781)
Refunds paid	(4,778,591)	(286,936)	(5,065,527)
Current year deferrals of entrance fees	1,198,725	1,198,725	2,397,450
Other	(12,408)	(27,624)	(40,032)
Balance at May 31, 2023	\$ 56,313,287	\$ 106,583,428	\$ 162,896,715

NOTES TO COMBINED FINANCIAL STATEMENTS

16. Liquidity

	May 31, 2023				
	Pinnacle Living	WindsorMeade	HCRC	Eliminations	Total
Total current assets	\$ 15,561,291	\$ 6,590,377	\$ 982,259	\$ (1,375,069)	\$ 21,758,858
Less those unavailable for general expenditures within one year for:					-
Donor imposed restrictions	(656,096)	(136,954)	-	-	(793,050)
Assets whose use is limited	(5,369,420)	(852,947)	-	-	(6,222,367)
Non-financial assets	(591,158)	(89,821)	-	-	(680,979)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,944,617	\$ 5,510,655	\$ 982,259	\$ (1,375,069)	\$ 14,062,462

	May 31, 2022				
	Pinnacle Living	WindsorMeade	HCRC	Eliminations	Total
Total current assets	\$ 20,504,255	\$ 18,258,046	\$ 389,598	\$ (738,482)	\$ 38,413,417
Less those unavailable for general expenditures within one year for:					-
Donor imposed restrictions	(261,942)	(169,291)	-	-	(431,233)
Assets whose use is limited	(7,769,232)	(703,055)	-	-	(8,472,287)
Non-financial assets	(233,433)	(50,112)	-	-	(283,545)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,239,648	\$ 17,335,588	\$ 389,598	\$ (738,482)	\$ 29,226,352

NOTES TO COMBINED FINANCIAL STATEMENTS

16. Liquidity (Continued)

Pinnacle Living has \$8,944,617 and \$12,239,648 of financial assets available within one year as of May 31, 2023, and 2022, respectively for general expenditures consisting of the following:

Pinnacle Living		
	May 31, 2023	May 31, 2022
Cash and cash equivalents	\$ 6,666,946	\$ 10,071,918
Accounts receivable due from residents	129,818	193,479
Accounts receivable, other	258,956	721,843
Accrued income receivable	129,366	117,576
Due from affiliate	1,375,069	738,482
Other assets	384,462	396,350
Total	\$ 8,944,617	\$ 12,239,648

Pinnacle Living structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of Pinnacle Living's investment policy, it invests excess cash and investments as outlined in Footnotes three and four.

WindsorMeade has \$5,510,655 and \$17,335,588 of financial assets available within one year as of May 31, 2023, and 2022, respectively for general expenditures consisting of the following:

WindsorMeade		
	May 31, 2023	May 31, 2022
Cash and cash equivalents	\$ 2,954,011	\$ 16,262,930
Accounts receivable due from residents	102,618	105,568
Accounts receivable, other	2,403,450	967,090
Accrued income receivable	50,576	-
Total	\$ 5,510,655	\$ 17,335,588

WindsorMeade structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Hermitage capital and reserve corporation has \$982,259 and \$389,598 of financial assets available within one year as of May 31, 2023, and 2022, respectively, for general expenditures. Of the 2023 amount, \$657,259 is cash and cash equivalents and \$325,000 is accounts receivable, other. The 2022 amount consists of cash and cash equivalents.

This page intentionally left blank

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses

Operating expenses for Pinnacle Living and WindsorMeade as of fiscal 2023 and fiscal 2022 are classified by function on the next pages.

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2023

	Pinnacle Living				WindsorMeade				Eliminations	Combined Total
	Program Services	Management & General		Fundraising	Total	Program Services	Management & General			
Salaries and Benefits	\$ 23,739,177	\$ 5,072,866	\$ 214,632	\$ 29,026,675	\$ 7,056,097	\$ 610,930	\$ -	\$ 7,667,027	-	\$ 36,693,702
Retirement Plan	1,237,176	293,394	15,121	1,545,691	315,813	2,978	-	318,791	-	1,864,482
Payroll Taxes	1,764,151	284,955	16,502	2,065,608	507,262	37,798	-	545,060	-	2,610,668
Health Insurance	1,834,324	318,218	-	2,152,542	607,580	40,718	-	648,298	-	2,800,840
Advertising	723,409	-	4,241	727,650	183,300	-	-	183,300	-	910,950
Conferences and education	64,138	81,590	2,979	148,707	20,146	63,819	-	83,965	-	232,672
Consultant services	1,049,816	906,673	-	1,956,489	139,519	41,419	-	180,938	-	2,137,427
Contract services	2,723,217	482,721	-	3,205,938	965,322	2,042,159	-	3,007,481	(1,942,610)	4,270,809
Depreciation	7,421,365	-	-	7,421,365	3,975,448	-	-	3,975,448	-	11,396,813
Dining	3,186,336	8,191	-	3,194,527	1,087,229	26,685	-	1,113,914	-	4,308,441
Dining - paper products	418,092	-	-	418,092	99,292	-	-	99,292	-	517,384
Dues and subscriptions	14,093	74,462	693	89,248	11,979	34,011	-	45,990	-	135,238
Information technology	1,275,343	297	-	1,275,640	355,091	5,965	-	361,056	-	1,636,696
Information technology - Cyber	258	-	-	258	-	-	-	-	-	258
Insurance	1,114,757	73,905	-	1,188,662	348,342	-	-	348,342	-	1,537,004
Licenses	14,404	28,822	-	43,226	3,586	4,775	-	8,361	-	51,587
Maintenance and repair	1,284,320	10,414	-	1,294,734	502,857	3,069	-	505,926	-	1,800,660
Medical services	178,703	-	-	178,703	487,359	-	-	487,359	-	666,062
Medical supplies	138,045	-	-	138,045	13,672	-	-	13,672	-	151,717
Minor Equipment	133,886	17,295	-	151,181	92,249	5,136	-	97,385	-	248,566
Miscellaneous	649,752	40,294	434	690,480	59,101	10,793	-	69,894	-	760,374
Person Centered Initiative	6,323	-	-	6,323	-	-	-	-	-	6,323
Postage	3,825	23,065	-	26,890	146	9,925	-	10,071	-	36,961
Recruitment and Retention	144,732	456,075	-	600,807	126,013	39,832	-	165,845	-	766,652
Rent	14,603	136,965	-	151,568	5,253	-	-	5,253	-	156,821
Renovations	413,686	-	-	413,686	14,750	-	-	14,750	-	428,436
Resident Services	228,449	-	-	228,449	83,210	-	-	83,210	-	311,659
Restricted funds spent	167,821	-	-	167,821	9,714	-	-	9,714	-	177,535
Supplies	429,693	50,687	35	480,415	167,331	22,319	-	189,650	-	670,065
Taxes	16,187	-	-	16,187	676,693	-	-	676,693	-	692,880
Travel & Entertainment	24,226	96,892	8,181	129,299	6,441	3,611	-	10,052	-	139,351
Utilities	2,990,048	14	-	2,990,062	946,972	-	-	946,972	-	3,937,034
Total operating expenses	\$ 53,404,355	\$ 8,457,795	\$ 262,818	\$ 62,124,968	\$ 18,867,767	\$ 3,005,942	\$ -	\$ 21,873,709	\$ (1,942,610)	\$ 82,056,067

NOTES TO COMBINED FINANCIAL STATEMENTS

17. Functional Expenses (Continued)

May 31, 2022

	Pinnacle Living				WindsorMeade				Eliminations	Combined Total
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total		
Salaries and Benefits	\$ 24,585,993	\$ 4,803,499	\$ 204,900	\$ 29,594,392	\$ 5,980,492	\$ 462,208	\$ -	\$ 6,442,700	-	36,037,092
Retirement Plan	1,434,561	34,253	13,513	1,482,327	297,399	32,453	-	329,852	-	1,812,179
Payroll Taxes	1,939,660	278,283	16,819	2,234,762	463,295	33,773	-	497,068	-	2,731,830
Health Insurance	2,305,206	345,714	-	2,650,920	628,588	27,651	-	656,239	-	3,307,159
Advertising	1,048,317	-	329	1,048,646	172,403	-	-	172,403	-	1,221,049
Conferences and education	35,120	54,119	3,104	92,343	13,138	21,797	-	34,935	-	127,278
Consultant services	918,991	793,455	-	1,712,446	87,814	289,720	-	377,534	-	2,089,980
Contract services	3,723,939	305,956	-	4,029,895	859,792	1,576,924	-	2,436,716	(1,484,216)	4,982,395
Depreciation	7,354,018	-	-	7,354,018	3,836,195	-	-	3,836,195	-	11,190,213
Dining	3,316,219	6,249	-	3,322,468	952,298	14,171	-	966,469	-	4,288,937
Dining - paper products	452,255	-	-	452,255	105,369	-	-	105,369	-	557,624
Dues and subscriptions	24,901	69,896	125	94,922	11,370	29,102	-	40,472	-	135,394
Information technology	1,274,171	8,179	-	1,282,350	160,401	14,365	-	174,766	-	1,457,116
Insurance	1,071,419	66,709	-	1,138,128	264,136	-	-	264,136	-	1,402,264
Licenses	15,408	16,428	-	31,836	3,155	1,720	-	4,875	-	36,711
Maintenance and repair	1,464,893	14,507	-	1,479,400	522,532	12,830	-	535,362	-	2,014,762
Medical services	193,646	-	-	193,646	402,891	-	-	402,891	-	596,537
Medical supplies	150,046	439	-	150,485	2,394	-	-	2,394	-	152,879
Minor Equipment	198,023	12,222	-	210,245	86,939	1,856	-	88,795	-	299,040
Miscellaneous	261,097	22,680	-	283,777	32,104	9,440	-	41,544	-	325,321
Person Centered Initiative	6,284	762	-	7,046	-	-	-	-	-	7,046
Postage	2,741	30,880	-	33,621	1,295	12,373	-	13,668	-	47,289
Recruitment and Retention	129,700	449,564	-	579,264	55,037	120,514	-	175,551	-	754,815
Rent	16,375	161,225	-	177,600	3,183	-	-	3,183	-	180,783
Renovations	385,401	-	-	385,401	24,471	-	-	24,471	-	409,872
Resident Services	244,467	38	-	244,505	97,967	-	-	97,967	-	342,472
Restricted funds spent	79,521	-	-	79,521	3,120	-	-	3,120	-	82,641
Supplies	460,711	58,635	977	520,323	143,311	12,429	-	155,740	-	676,063
Taxes	19,304	-	-	19,304	689,544	508	-	690,052	-	709,356
Travel & Entertainment	9,446	53,243	1,471	64,160	6,414	4,137	-	10,551	-	74,711
Utilities	3,086,988	4,003	-	3,090,991	837,141	400	-	837,541	-	3,928,532
Total operating expenses	\$ 56,208,821	\$ 7,590,938	\$ 241,238	\$ 64,040,997	\$ 16,744,188	\$ 2,678,371	\$ -	\$ 19,422,559	\$ (1,484,216)	\$ 81,979,340

NOTES TO COMBINED FINANCIAL STATEMENTS

18. Government Assistance with COVID-19 Relief Funds

Payroll Protection Loan:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. To date, the Organization is experiencing additional costs in resident care, dining, staffing and loss of revenue from delayed move-ins.

In response to the Coronavirus pandemic, Congress established the Paycheck Protection Program (the PPP) to provide relief to qualifying organizations during the Coronavirus pandemic as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the SBA’s 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying organizations can spend to cover payroll, mortgage interest, rent, and utilities. In fiscal 2020 WindsorMeade applied for and received a PPP loan in the amount of \$1,142,900. This loan was forgiven in fiscal 2021.

In the spring of 2021, another \$1.9 trillion stimulus package was passed that expanded eligibility for larger 501(c)(3) organizations that employ more than 500 employees in aggregate but less than 500 employees per physical location. This new stimulus package allowed Pinnacle Living to apply and receive \$4,587,820 in payroll protection funds. Forgiveness on this loan was applied to and received by the Small Business Administration in the first quarter of fiscal 2023. This forgiveness revenue is included in other operating revenue on the statement of activities.

The loan balance for Pinnacle Living is included in bonds payable on the combined balance sheet at May 31, 2022.

Health & Human Services (“HHS”) Funding:

Pinnacle Living received \$881,102 in HHS assisted living funding in fiscal 2022.

Federal Emergency Management Agency (“FEMA”) Funding:

In fiscal 2022, Pinnacle Living recorded a revenue in the amount of \$565,077 and WindsorMeade recorded 190,715.

In fiscal 2023, WindsorMeade received \$374,832. Pinnacle Living recorded a receivable in the amount of \$219,114 and is expected to receive those funds in fiscal 2024.

NOTES TO COMBINED FINANCIAL STATEMENTS

19. Prior Year Reclassification

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

20. Subsequent Events

Management has evaluated subsequent events through August 29, 2023, the date which the financial statements were available for issue.



INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY AND OTHER INFORMATION

Board of Directors
Pinnacle Living
Richmond, Virginia

Supplementary Information

We have audited the combined financial statements of Pinnacle Living, WindsorMeade, and Hermitage Capital and Reserve Corporation as of and for the years ended May 31, 2023 and 2022 and have issued our report thereon dated August 29, 2023, which expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheet as of May 31, 2023 and 2022, the combining statements of activities and the combining statements of cash flows for the year then ended are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises combining balance sheets by community as of May 31, 2023 and 2022, combining statements of activities by community for the years ended May 31, 2023 and 2022, and summary of financial information (unaudited) included in the annual report but does not include the combined financial statements and our auditor's report thereon. Our opinion on the combined financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the combined financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the combined financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia
August 29, 2023

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING BALANCE SHEET MAY 31, 2023

	Pinnacle Living		WindsorMeade		Hermitage Capital and Reserve		Sub-Total	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 6,666,946	\$ -	\$ 2,954,011	\$ -	\$ 657,259	\$ -	\$ 10,278,216	\$ -	\$ 10,278,216
Cash and cash equivalents, with donor restrictions	-	656,096	-	136,954	-	-	793,050	-	793,050
Total cash and cash equivalents	6,666,946	656,096	2,954,011	136,954	657,259	-	11,071,266	-	11,071,266
Accounts receivable, residents, less allowance for uncollectible accounts \$123,066	129,818	-	102,618	-	-	-	232,436	-	232,436
Accounts receivable, other	258,956	-	2,403,450	-	325,000	-	2,987,406	-	2,987,406
Due from affiliate	1,375,069	-	-	-	-	-	1,375,069	(1,375,069)	-
Accrued income receivable	129,366	-	50,576	-	-	-	179,942	-	179,942
Prepaid expenses	591,158	-	89,821	-	-	-	680,979	-	680,979
Other assets	384,462	-	-	-	-	-	384,462	-	384,462
Assets whose use is limited	5,369,420	-	852,947	-	-	-	6,222,367	-	6,222,367
Total current assets	14,905,195	656,096	6,453,423	136,954	982,259	-	23,133,927	(1,375,069)	21,758,858
Beneficial interest in trusts, with donor restrictions	-	15,123,495	-	-	-	-	15,123,495	-	15,123,495
Investments	65,910,296	-	14,281,551	-	28,678,523	-	108,870,370	-	108,870,370
Investments, with donor restrictions	-	5,141,497	-	72,661	-	-	5,214,158	-	5,214,158
Investment in Senior Living Partners of Virginia	-	-	-	-	356,418	-	356,418	-	356,418
Assets whose use is limited	17,108,865	-	2,865,292	-	-	-	19,974,157	-	19,974,157
Other assets	842,897	-	2,493,361	-	-	-	3,336,258	-	3,336,258
Property and equipment, net	133,627,222	-	87,494,160	-	145,692	-	221,267,074	-	221,267,074
Total assets	\$ 232,394,475	\$ 20,921,088	\$ 113,587,787	\$ 209,615	\$ 30,162,892	\$ -	\$ 397,275,857	\$ (1,375,069)	\$ 395,900,788
LIABILITIES AND NET ASSETS									
Liabilities									
Current liabilities									
Accounts payable	\$ 1,963,241	\$ -	\$ 597,786	\$ -	\$ 473,190	\$ -	\$ 3,034,217	\$ -	\$ 3,034,217
Accrued expenses	5,417,615	-	1,708,227	-	-	-	7,125,842	-	7,125,842
Due to affiliate	-	-	1,375,069	-	-	-	1,375,069	(1,375,069)	-
Deposits, prospective residents	222,354	-	242,220	-	-	-	464,574	-	464,574
Bonds payable	2,270,000	-	1,595,000	-	-	-	3,865,000	-	3,865,000
Other liabilities	279,026	-	-	-	-	-	279,026	-	279,026
Total current liabilities	10,152,236	-	5,518,302	-	473,190	-	16,143,728	(1,375,069)	14,768,659
Deposits, future list	632,000	-	443,000	-	-	-	1,075,000	-	1,075,000
Bonds payable, net of OIP of \$1,759,439 and BIC of \$3,010,932	96,772,270	-	55,116,237	-	-	-	151,888,507	-	151,888,507
Deferred revenue, entrance fees	80,367,590	-	26,215,838	-	-	-	106,583,428	-	106,583,428
Refundable fees	2,553,427	-	53,759,860	-	-	-	56,313,287	-	56,313,287
Other liabilities	910,813	-	41,572	-	-	-	952,385	-	952,385
Total liabilities	\$ 191,388,336	\$ -	\$ 141,094,809	\$ -	\$ 473,190	\$ -	\$ 332,956,335	\$ (1,375,069)	\$ 331,581,266
Net Assets									
Without donor restrictions									
Undesignated	\$ 36,013,384	\$ -	\$ (27,507,022)	\$ -	\$ 29,689,702	\$ -	\$ 38,196,064	\$ -	\$ 38,196,064
With board designations	4,992,755	-	-	-	-	-	4,992,755	-	4,992,755
With donor restrictions									
Purpose restricted	-	2,823,655	-	209,615	-	-	3,033,270	-	3,033,270
Perpetual in nature	-	18,097,433	-	-	-	-	18,097,433	-	18,097,433
Total net assets	\$ 41,006,139	\$ 20,921,088	\$ (27,507,022)	\$ 209,615	\$ 29,689,702	\$ -	\$ 64,319,522	\$ -	\$ 64,319,522
Total liabilities and net assets	\$ 232,394,475	\$ 20,921,088	\$ 113,587,787	\$ 209,615	\$ 30,162,892	\$ -	\$ 397,275,857	\$ (1,375,069)	\$ 395,900,788

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING BALANCE SHEET MAY 31, 2022

	Pinnacle Living		WindsorMeade		Hermitage Capital and Reserve		Sub-Total	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 10,071,918	\$ -	\$ 16,262,930	\$ -	\$ 389,598	\$ -	\$ 26,724,446	\$ -	\$ 26,724,446
Cash and cash equivalents, with donor restrictions	-	261,942	-	169,291	-	-	431,233	-	431,233
Total cash and cash equivalents	10,071,918	261,942	16,262,930	169,291	389,598	-	27,155,679	-	27,155,679
Accounts receivable, residents, less allowance for uncollectible accounts \$1,494,811	193,479	-	105,568	-	-	-	299,047	-	299,047
Accounts receivable, other	721,843	-	967,090	-	-	-	1,688,933	-	1,688,933
Due from affiliate	738,482	-	-	-	-	-	738,482	(738,482)	-
Accrued income receivable	117,576	-	-	-	-	-	117,576	-	117,576
Prepaid expenses	233,433	-	50,112	-	-	-	283,545	-	283,545
Other assets	396,350	-	-	-	-	-	396,350	-	396,350
Assets whose use is limited	7,769,232	-	703,055	-	-	-	8,472,287	-	8,472,287
Total current assets	20,242,313	261,942	18,088,755	169,291	389,598	-	39,151,899	(738,482)	38,413,417
Beneficial interest in trusts, with donor restrictions	-	19,739,753	-	-	-	-	19,739,753	-	19,739,753
Investments	47,460,825	-	-	-	15,847,481	-	63,308,306	-	63,308,306
Investments, with donor restrictions	-	5,867,935	-	-	-	-	5,867,935	-	5,867,935
Investment in Senior Living Partners of Virginia	-	-	-	-	236,137	-	236,137	-	236,137
Assets whose use is limited	23,424,666	-	5,704,555	-	-	-	29,129,221	-	29,129,221
Other assets	347,633	-	1,755,900	-	-	-	2,103,533	-	2,103,533
Property and equipment, net	136,542,808	-	88,202,877	-	145,692	-	224,891,377	-	224,891,377
Total assets	\$ 228,018,245	\$ 25,869,630	\$ 113,752,087	\$ 169,291	\$ 16,618,908	\$ -	\$ 384,428,161	\$ (738,482)	\$ 383,689,679
LIABILITIES AND NET ASSETS									
Liabilities									
Current liabilities									
Accounts payable	\$ 2,257,156	\$ -	\$ 346,768	\$ -	\$ -	\$ -	\$ 2,603,924	\$ -	\$ 2,603,924
Accrued expenses	7,170,201	-	2,109,317	-	-	-	9,279,518	-	9,279,518
Due to affiliate	-	-	738,482	-	-	-	738,482	(738,482)	-
Deposits, prospective residents	370,245	-	77,637	-	-	-	447,882	-	447,882
Bonds payable	2,160,000	-	1,570,000	-	-	-	3,730,000	-	3,730,000
Other liabilities	1,388,040	-	-	-	-	-	1,388,040	-	1,388,040
Total current liabilities	13,345,642	-	4,842,204	-	-	-	18,187,846	(738,482)	17,449,364
Deposits, future list	599,000	-	165,000	-	-	-	764,000	-	764,000
Bonds payable, net of OID of \$2,889,347 and BIC of \$3,185,223	104,219,383	-	56,977,561	-	-	-	161,196,944	-	161,196,944
Deferred revenue, entrance fees	77,024,021	-	24,069,963	-	-	-	101,093,984	-	101,093,984
Refundable fees	3,005,913	-	54,052,783	-	-	-	57,058,696	-	57,058,696
Other liabilities	370,371	-	55,110	-	-	-	425,481	-	425,481
Total liabilities	\$ 198,564,330	\$ -	\$ 140,162,621	\$ -	\$ -	\$ -	\$ 338,726,951	\$ (738,482)	\$ 337,988,469
Net Assets									
Without donor restrictions									
Undesignated	\$ 24,291,039	\$ -	\$ (26,410,534)	\$ -	\$ 16,618,908	\$ -	\$ 14,499,413	\$ -	\$ 14,499,413
With board designations	5,162,876	-	-	-	-	-	5,162,876	-	5,162,876
With donor restrictions									
Purpose restricted	-	3,155,939	-	169,291	-	-	3,325,230	-	3,325,230
Perpetual in nature	-	22,713,691	-	-	-	-	22,713,691	-	22,713,691
Total net assets	\$ 29,453,915	\$ 25,869,630	\$ (26,410,534)	\$ 169,291	\$ 16,618,908	\$ -	\$ 45,701,210	\$ -	\$ 45,701,210
Total liabilities and net assets	\$ 228,018,245	\$ 25,869,630	\$ 113,752,087	\$ 169,291	\$ 16,618,908	\$ -	\$ 384,428,161	\$ (738,482)	\$ 383,689,679

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF ACTIVITIES YEAR ENDED May 31, 2023

	Pinnacle Living		WindsorMeade		Hermitage Capital and Reserve		Sub-Total	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
Operating revenues and support									
Resident and Membership Fees	\$ 47,704,319	\$ -	\$ 18,100,242	\$ -	\$ -	\$ -	\$ 65,804,561	\$ -	\$ 65,804,561
Benevolent care	(316,415)	-	-	-	-	-	(316,415)	-	(316,415)
Amortization of deferred revenue from entrance fees	10,332,591	-	2,320,370	-	-	-	12,652,961	-	12,652,961
Ancillary service revenue, net	(10,212)	-	431,045	-	-	-	420,833	-	420,833
Other operating revenue	14,109,285	-	716,745	-	-	-	14,826,030	(1,942,610)	12,883,420
Net assets released from restrictions	490,538	(490,538)	9,414	(9,414)	-	-	-	-	-
Total operating revenues and support	72,310,106	(490,538)	21,577,816	(9,414)	-	-	93,387,970	(1,942,610)	91,445,360
Operating expenses									
Administration	11,098,815	-	3,825,393	-	-	-	14,924,208	(1,942,610)	12,981,598
Marketing	2,068,228	-	601,422	-	-	-	2,669,650	-	2,669,650
General overhead	1,203,209	-	1,029,872	-	-	-	2,233,081	-	2,233,081
Depreciation	7,421,362	-	3,975,448	-	-	-	11,396,810	-	11,396,810
Dining	8,636,600	-	2,548,737	-	-	-	11,185,337	-	11,185,337
Resident services	2,320,876	-	713,171	-	-	-	3,034,047	-	3,034,047
Donor restricted funds spent	167,814	-	9,714	-	-	-	177,528	-	177,528
Building and grounds	8,182,781	-	3,115,442	-	-	-	11,298,223	-	11,298,223
Housekeeping	2,814,556	-	750,178	-	-	-	3,564,734	-	3,564,734
Nursing Neighborhoods	18,210,727	-	5,304,332	-	-	-	23,515,059	-	23,515,059
Total operating expenses	62,124,968	-	21,873,709	-	-	-	83,998,677	(1,942,610)	82,056,067
Change in net assets from operations	10,185,138	(490,538)	(295,893)	(9,414)	-	-	9,389,293	-	9,389,293
Other non-operating changes									
Bequests	160,439	-	-	-	-	-	160,439	-	160,439
Trusts and legacies	1,038,836	-	-	-	-	-	1,038,836	-	1,038,836
Present value change in trusts	-	(4,616,258)	-	-	-	-	(4,616,258)	-	(4,616,258)
Gain (Loss) on disposal of property and equipment	17,458,790	(268,478)	-	-	-	-	17,190,312	-	17,190,312
Contributions	565	521,562	-	48,051	-	-	570,178	-	570,178
Investment income	3,181,423	136,361	452,399	1,687	723,061	-	4,494,931	-	4,494,931
Realized loss on investments	(399,886)	(88,862)	-	-	(533,797)	-	(1,022,545)	-	(1,022,545)
Unrealized loss on investments	(2,378,394)	(142,329)	743,791	-	(719,510)	-	(2,496,442)	-	(2,496,442)
Interest expense	(4,004,531)	-	(1,958,014)	-	-	-	(5,962,545)	-	(5,962,545)
Transfer (to) from affiliate	(13,602,900)	-	-	-	13,602,900	-	-	-	-
Other non-operating charges and fees	(87,256)	-	(38,771)	-	(1,860)	-	(127,887)	-	(127,887)
Total non-operating changes	1,367,086	(4,458,004)	(800,595)	49,738	13,070,794	-	9,229,019	-	9,229,019
Change in net assets	11,552,224	(4,948,542)	(1,096,488)	40,324	13,070,794	-	18,618,312	-	18,618,312
Net assets at the beginning of the year	29,453,915	25,869,630	(26,410,534)	169,291	16,618,908	-	45,701,210	-	45,701,210
Net assets at the end of the year	\$ 41,006,139	20,921,088	\$ (27,507,022)	\$ 209,615	\$ 29,689,702	\$ -	\$ 64,319,522	\$ -	\$ 64,319,522

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF ACTIVITIES YEAR ENDED May 31, 2022

	Pinnacle Living		WindsorMeade		Hermitage Capital and Reserve		Sub-Total	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
Operating revenues and support									
Resident and Membership Fees	\$ 51,059,008	\$ -	\$ 16,470,630	\$ -	\$ -	\$ -	\$ 67,529,638	\$ -	\$ 67,529,638
Benevolent care	(338,136)	-	-	-	-	-	(338,136)	-	(338,136)
Amortization of deferred revenue from entrance fees	10,135,226	-	2,927,680	-	-	-	13,062,906	-	13,062,906
Ancillary service revenue, net	24,493	-	401,108	-	-	-	425,601	-	425,601
Other operating revenue	4,408,679	-	424,924	-	-	-	4,833,603	(1,484,216)	3,349,387
Net assets released from restrictions	417,657	(417,657)	3,120	(3,120)	-	-	-	-	-
Total operating revenues and support	65,706,927	(417,657)	20,227,462	(3,120)	-	-	85,513,612	(1,484,216)	84,029,396
Operating expenses									
Administration	9,988,649	-	3,163,394	-	-	-	13,152,043	(1,484,216)	11,667,827
Marketing	2,505,319	-	612,137	-	-	-	3,117,456	-	3,117,456
General overhead	1,157,480	-	953,321	-	-	-	2,110,801	-	2,110,801
Depreciation	7,354,013	-	3,836,196	-	-	-	11,190,209	-	11,190,209
Dining	9,716,402	-	2,127,267	-	-	-	11,843,669	-	11,843,669
Resident services	2,511,942	-	714,717	-	-	-	3,226,659	-	3,226,659
Donor restricted funds spent	79,521	-	3,120	-	-	-	82,641	-	82,641
Building and grounds	8,419,187	-	2,805,180	-	-	-	11,224,367	-	11,224,367
Housekeeping	3,163,842	-	635,868	-	-	-	3,799,710	-	3,799,710
Nursing Neighborhoods	19,144,642	-	4,571,359	-	-	-	23,716,001	-	23,716,001
Total operating expenses	64,040,997	-	19,422,559	-	-	-	83,463,556	(1,484,216)	81,979,340
Change in net assets from operations	1,665,930	(417,657)	804,903	(3,120)	-	-	2,050,056	-	2,050,056
Other non-operating changes									
Bequests	27,130	-	-	-	-	-	27,130	-	27,130
Trusts and legacies	802,846	-	-	-	-	-	802,846	-	802,846
Present value change in trusts	-	(3,664,585)	-	-	-	-	(3,664,585)	-	(3,664,585)
Loss on disposal of property and equipment	(54,432)	-	-	-	-	-	(54,432)	-	(54,432)
Contributions	13,393	484,284	2,000	77,885	-	-	577,562	-	577,562
Investment income	2,451,164	145,735	533	-	398,977	-	2,996,409	(333,075)	2,663,334
Realized loss on investments	812,975	(75,667)	-	-	(267,307)	-	470,001	-	470,001
Unrealized loss on investments	(5,783,755)	(455,952)	950,781	-	(1,100,447)	-	(6,389,373)	-	(6,389,373)
Interest expense	(3,337,845)	-	(1,820,248)	-	-	-	(5,158,093)	459,108	(4,698,985)
Loss on defeasance	-	-	(12,766,498)	-	-	-	(12,766,498)	324,677	(12,441,821)
Transfer (to) from affiliate	1,171,515	-	288,251	-	(1,459,766)	-	-	-	-
Other non-operating charges and fees	(146,184)	-	17,173	-	(1,027)	-	(130,038)	-	(130,038)
Total non-operating changes	(4,043,193)	(3,566,185)	(13,328,008)	77,885	(2,429,570)	-	(23,289,071)	450,710	(22,838,361)
Change in net assets	(2,377,263)	(3,983,842)	(12,523,105)	74,765	(2,429,570)	-	(21,239,015)	450,710	(20,788,305)
Net assets at the beginning of the year	31,831,178	29,853,472	(13,887,429)	94,526	19,048,478	-	66,940,225	(450,710)	66,489,515
Net assets at the end of the year	\$ 29,453,915	\$ 25,869,630	\$ (26,410,534)	\$ 169,291	\$ 16,618,908	\$ -	\$ 45,701,210	\$ -	\$ 45,701,210

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2023

	Pinnacle Living	WindsorMeade	HCRC	Sub-Total	Eliminations	Total
Operating Activities						
Change in Net Assets	\$ 6,603,682	\$ (1,056,164)	\$ 13,070,794	\$ 18,618,312	\$ -	\$ 18,618,312
Adjustments to reconcile Change in net assets to net cash provided by (used in) operating activities						
Amortization of deferred revenue from entrance fees	(10,332,591)	(2,320,370)	-	(12,652,961)	-	(12,652,961)
Depreciation	7,421,362	3,975,448	-	11,396,810	-	11,396,810
Amortization of original issue premium	(710,172)	(419,736)	-	(1,129,908)	-	(1,129,908)
Amortization of bond issuance costs	120,879	53,412	-	174,291	-	174,291
Realized loss on investments	488,748	-	533,797	1,022,545	-	1,022,545
Unrealized loss on investments	2,520,723	(743,791)	719,510	2,496,442	-	2,496,442
Gain on disposal of property and equipment	(17,458,790)	-	-	(17,458,790)	-	(17,458,790)
Forgiveness of debt payroll protection program	(4,587,820)	-	-	(4,587,820)	-	(4,587,820)
Change in present value of beneficial interest in trusts	4,616,258	-	-	4,616,258	-	4,616,258
Entrance fees received	14,180,010	6,701,290	-	20,881,300	-	20,881,300
Entrance fees refunded	(965,439)	(4,110,190)	-	(5,075,629)	-	(5,075,629)
Due to/from affiliate	(636,587)	636,587	-	-	-	-
(Increase) decrease in assets						
Accounts receivable	526,548	187,665	(325,000)	389,213	-	389,213
Accrued income receivable	(11,790)	(50,576)	-	(62,366)	-	(62,366)
Prepaid expenses	(357,725)	(39,709)	-	(397,434)	-	(397,434)
Other assets	(483,376)	(737,461)	-	(1,220,837)	-	(1,220,837)
Increase (decrease) in liabilities						
Accounts and resident refunds payable	(293,915)	251,018	473,190	430,293	-	430,293
Accrued expenses	(1,752,586)	(401,090)	-	(2,153,676)	-	(2,153,676)
Deposits	(114,891)	442,583	-	327,692	-	327,692
Other liabilities	(568,572)	(13,538)	-	(582,110)	-	(582,110)
Net cash provided by (used in) operating activities	(1,796,044)	2,355,378	14,472,291	15,031,625	-	15,031,625
Investing Activities						
Proceeds from sales of investment securities	13,233,879	-	3,771,412	17,005,291	-	17,005,291
Purchase of investments	(25,241,667)	(10,959,903)	(17,976,042)	(54,177,612)	-	(54,177,612)
Proceeds from sale of assets	24,495,319	-	-	24,495,319	-	24,495,319
Purchase of property and equipment	(11,542,305)	(3,266,731)	-	(14,809,036)	-	(14,809,036)
Net cash provided by (used in) investing activities	945,226	(14,226,634)	(14,204,630)	(27,486,038)	-	(27,486,038)
Financing Activities						
Payment of debt	(2,160,000)	(1,470,000)	-	(3,630,000)	-	(3,630,000)
Net cash used in financing activities	(2,160,000)	(1,470,000)	-	(3,630,000)	-	(3,630,000)
Net change in cash and cash equivalents	(3,010,818)	(13,341,256)	267,661	(16,084,413)	-	(16,084,413)
Cash and cash equivalents, beginning	10,333,860	16,432,221	389,598	27,155,679	-	27,155,679
Cash and cash equivalents, ending	\$ 7,323,042	\$ 3,090,965	\$ 657,259	\$ 11,071,266	\$ -	\$ 11,071,266
Supplemental disclosure of cash flow information, cash payments for interest, net of amounts capitalized	\$ 5,090,320	\$ 2,879,195	\$ -	7,969,515	\$ -	7,969,515

PINNACLE LIVING
SCHEDULE OF COMBINING INFORMATION
COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2022

	Pinnacle Living	WindsorMeade	HCRC	Sub-Total	Eliminations	Total
Operating Activities						
Change in Net Assets	\$ (6,361,105)	\$ (12,448,340)	\$ (2,429,570)	\$ (21,239,015)	\$ 450,710	\$ (20,788,305)
Adjustments to reconcile Change in net assets to net cash provided by (used in) operating activities						
Amortization of deferred revenue from entrance fees	(10,135,226)	(2,927,680)	-	(13,062,906)	-	(13,062,906)
Depreciation	7,354,013	3,836,196	-	11,190,209	-	11,190,209
Amortization of original issue premium	(828,571)	(190,863)	-	(1,019,434)	(123,939)	(1,143,373)
Amortization of bond issuance costs	120,885	42,153	-	163,038	(2,094)	160,944
Realized (gain) loss on investments	(737,308)	-	267,307	(470,001)	-	(470,001)
Unrealized (gain) loss on investments	6,239,707	(950,781)	1,100,447	6,389,373	-	6,389,373
Loss on disposal of property and equipment	54,432	-	-	54,432	-	54,432
Forgiveness of debt payroll protection program	-	-	-	-	-	-
Change in present value of beneficial interest in trusts	3,664,585	-	-	3,664,585	-	3,664,585
Loss on defeasance	-	12,766,498	-	12,766,498	(324,677)	12,441,821
Entrance fees received - first generation	1,435,830	-	-	1,435,830	-	1,435,830
Entrance fees received	8,854,246	11,190,325	-	20,044,571	-	20,044,571
Entrance fees refunded	(468,399)	(6,786,540)	-	(7,254,939)	-	(7,254,939)
Due to/from affiliate	(640,597)	640,597	-	-	-	-
(Increase) decrease in assets						
Accounts receivable	(436,606)	(296,283)	-	(732,889)	-	(732,889)
Accrued income receivable	(15,871)	-	-	(15,871)	-	(15,871)
Prepaid expenses	48,065	(8,950)	-	39,115	-	39,115
Other assets	92,797	(13,968)	-	78,829	-	78,829
Increase (decrease) in liabilities						
Accounts and resident refunds payable	142,315	(250,785)	-	(108,470)	-	(108,470)
Accrued expenses	482,981	31,142	-	514,123	-	514,123
Deposits	102,012	(158,597)	-	(56,585)	-	(56,585)
Other liabilities	1,211,160	(56)	-	1,211,104	-	1,211,104
Net cash provided by (used in) operating activities	10,179,345	4,474,068	(1,061,816)	13,591,597	-	13,591,597
Investing Activities						
Proceeds from sales of investment securities	13,233,879	-	-	13,233,879	-	13,233,879
Purchase of investments	(9,223,098)	(341,991)	915,789	(8,649,300)	(7,980,000)	(16,629,300)
Withdrawal from investments	-	-	-	-	-	-
Proceeds from sale of assets	806,926	-	-	806,926	-	806,926
Purchase of property and equipment	(13,189,519)	(2,183,093)	-	(15,372,612)	-	(15,372,612)
Net cash provided by (used in) investing activities	(8,371,812)	(2,525,084)	915,789	(9,981,107)	(7,980,000)	(17,961,107)
Financing Activities						
Bond issuance costs	-	(961,363)	-	(961,363)	-	(961,363)
Original issue premium	-	2,098,667	-	2,098,667	-	2,098,667
Cap premium	-	(750,000)	-	(750,000)	-	(750,000)
Interest expense financed on Series 20013A bonds	-	(2,953,050)	-	(2,953,050)	-	(2,953,050)
Issuance of debt	-	58,240,000	-	58,240,000	-	58,240,000
Payment of debt	(3,272,725)	(54,020,510)	-	(57,293,235)	7,980,000	(49,313,235)
Net cash provided by (used in) financing activities	(3,272,725)	1,653,744	-	(1,618,981)	7,980,000	6,361,019
Net change in cash and cash equivalents	(1,465,192)	3,602,728	(146,027)	1,991,509	-	1,991,509
Cash and cash equivalents, beginning	11,799,052	12,829,493	535,625	25,164,170	-	25,164,170
Cash and cash equivalents, ending	\$ 10,333,860	\$ 16,432,221	\$ 389,598	\$ 27,155,679	\$ -	\$ 27,155,679
Supplemental disclosure of cash flow information, cash payments for interest, net of amounts capitalized	\$ 5,152,011	\$ 2,144,446	\$ -	7,296,457	\$ -	7,296,457

This page intentionally left blank

PINNACLE LIVING

SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES

Pinnacle Living is a “provider” of continuing care, as such term is contemplated under Virginia law. Pinnacle Living facilities are not legal entities unto themselves. Rather, Pinnacle Living facilities are locations where Pinnacle Living provides continuing care for its residents. Accordingly, as is reflected in the foregoing combined financial statements, Pinnacle Living owns all assets of the corporation, and all liabilities of the corporation are incurred by Pinnacle Living in its corporate name.

In consultation with its auditor, Pinnacle Living has determined that the following Combining Balance Sheets by Community accurately reflect the foregoing realities: No Pinnacle Living facility owns assets, and no Pinnacle Living facility incurs obligations in the name of the facility.

However, Pinnacle Living has prepared the following Combining Statements of Activities by Community in an effort to provide information about revenues received and expenses incurred by Pinnacle Living with regard to its various facilities. The reader is cautioned to be mindful of the fact, as stated above, that all such activities are engaged in by the corporation (Pinnacle Living) in these locations, not by the facilities themselves (which are not legal entities), and that this information is more accurately reflected in the Pinnacle Living audited combined financial statements. Indeed, Pinnacle Living’s auditor has not subjected this information to the auditing procedures applied in the audit of the basic financial statements precisely because it does not accurately describe the entity contractually responsible for providing services to the residents. Nevertheless, the following unaudited information is presented in response to Administrative Letter 2013-01 of the Commissioner of Insurance, State Corporation Commission of Virginia, to be reviewed in connection with the foregoing audited combined financial statements of Pinnacle Living, which do accurately reflect such contractual relationship.

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2023

	Corporate	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke	Lydia Roper Home	Cedarfield	Pinnacle Advantage	Pinnacle Living Eliminations	Pinnacle Living Obligated Group
ASSETS									
Current Assets									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,666,946
Cash and cash equivalents, restricted	-	-	-	-	-	-	-	-	656,096
Total cash and cash equivalents	-	-	-	-	-	-	-	-	7,323,042
Accounts receivable, residents, less allowance for uncollectible accounts \$123,066	-	-	-	-	-	-	-	-	129,818
Accounts receivable, other	-	-	-	-	-	-	-	-	258,956
Due from affiliate	-	-	-	-	-	-	-	-	1,375,069
Accrued income receivable	-	-	-	-	-	-	-	-	129,366
Prepaid expenses	-	-	-	-	-	-	-	-	591,158
Other assets	-	-	-	-	-	-	-	-	384,462
Assets whose use is limited	-	-	-	-	-	-	-	-	5,369,420
Total current assets	-	-	-	-	-	-	-	-	15,561,291
Beneficial interest in trusts, with donor restrictions	-	-	-	-	-	-	-	-	15,123,495
Investments	-	-	-	-	-	-	-	-	65,910,296
Investments, with donor restrictions	-	-	-	-	-	-	-	-	5,141,497
Investment in Senior Living Partners of Virginia	-	-	-	-	-	-	-	-	-
Assets whose use is limited	-	-	-	-	-	-	-	-	17,108,865
Other assets	-	-	-	-	-	-	-	-	842,897
Property and equipment, net	-	-	-	-	-	-	-	-	133,627,222
Total assets	-	-	-	-	-	-	-	-	253,315,563
LIABILITIES AND NET ASSETS									
Liabilities									
Current liabilities									
Accounts payable	-	-	-	-	-	-	-	-	1,963,241
Accrued expenses	-	-	-	-	-	-	-	-	5,417,615
Due to affiliate	-	-	-	-	-	-	-	-	-
Deposits, prospective residents	-	-	-	-	-	-	-	-	222,354
Bonds payable	-	-	-	-	-	-	-	-	2,270,000
Other liabilities	-	-	-	-	-	-	-	-	279,026
Total current liabilities	-	-	-	-	-	-	-	-	10,152,236
Deposits, future list	-	-	-	-	-	-	-	-	632,000
Bonds payable, net of OIP of \$1,759,439 and BIC of \$3,010,932	-	-	-	-	-	-	-	-	96,772,270
Deferred revenue, entrance fees	-	-	-	-	-	-	-	-	80,367,590
Refundable fees	-	-	-	-	-	-	-	-	2,553,427
Other liabilities	-	-	-	-	-	-	-	-	910,813
Total liabilities	-	-	-	-	-	-	-	-	191,388,336
NET ASSETS									
Without donor restrictions									
Undesignated	-	-	-	-	-	-	-	-	36,013,384
With board designations	-	-	-	-	-	-	-	-	4,992,755
With donor restrictions									
Purpose restricted	-	-	-	-	-	-	-	-	2,823,655
Perpetual in nature	-	-	-	-	-	-	-	-	18,097,433
Total net assets	-	-	-	-	-	-	-	-	61,927,227
Total liabilities and net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,315,563

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2023 (CONTINUED)

	WindsorMeade	HCRC	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,954,011	\$ 657,259	\$ -	\$ 10,278,216
Cash and cash equivalents, restricted	136,954	-	-	793,050
Total cash and cash equivalents	3,090,965	657,259	-	11,071,266
Accounts receivable, residents, less allowance for uncollectible accounts \$123,066	102,618	-	-	232,436
Accounts receivable, other	2,403,450	325,000	-	2,987,406
Due from affiliate	-	-	(1,375,069)	-
Accrued income receivable	50,576	-	-	179,942
Prepaid expenses	89,821	-	-	680,979
Other assets	-	-	-	384,462
Assets whose use is limited	852,947	-	-	6,222,367
Total current assets	6,590,377	982,259	(1,375,069)	21,758,858
Beneficial interest in trusts, with donor restrictions	-	-	-	15,123,495
Investments	14,281,551	28,678,523	-	108,870,370
Investments, with donor restrictions	72,661	-	-	5,214,158
Investment in Senior Living Partners of Virginia	-	356,418	-	356,418
Assets whose use is limited	2,865,292	-	-	19,974,157
Other assets	2,493,361	-	-	3,336,258
Property and equipment, net	87,494,160	145,692	-	221,267,074
Total assets	113,797,402	30,162,892	(1,375,069)	395,900,788
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	597,786	473,190	-	3,034,217
Accrued expenses	1,708,227	-	-	7,125,842
Due to affiliate	1,375,069	-	(1,375,069)	-
Deposits, prospective residents	242,220	-	-	464,574
Bonds payable	1,595,000	-	-	3,865,000
Other liabilities	-	-	-	279,026
Total current liabilities	5,518,302	473,190	(1,375,069)	14,768,659
Deposits, future list	443,000	-	-	1,075,000
Bonds payable, net of OIP of \$1,759,439 and BIC of \$3,010,932	55,116,237	-	-	151,888,507
Deferred revenue, entrance fees	26,215,838	-	-	106,583,428
Refundable fees	53,759,860	-	-	56,313,287
Other liabilities	41,572	-	-	952,385
Total liabilities	141,094,809	473,190	(1,375,069)	331,581,266
NET ASSETS				
Without donor restrictions				
Undesignated	(27,507,022)	29,689,702	-	38,196,064
With board designations	-	-	-	4,992,755
With donor restrictions				
Purpose restricted	209,615	-	-	3,033,270
Perpetual in nature	-	-	-	18,097,433
Total net assets	(27,297,407)	29,689,702	-	64,319,522
Total liabilities and net assets	\$ 113,797,402	\$ 30,162,892	\$ (1,375,069)	\$ 395,900,788

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2022

	Corporate	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke	Lydia Roper Home	Cedarfield	Pinnacle Advantage	Pinnacle Living Eliminations	Pinnacle Living Obligated Group
ASSETS									
Current Assets									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,071,918
Cash and cash equivalents, restricted	-	-	-	-	-	-	-	-	261,942
Total cash and cash equivalents	-	-	-	-	-	-	-	-	10,333,860
Accounts receivable, residents, less allowance for uncollectible accounts \$1,494,811	-	-	-	-	-	-	-	-	193,479
Accounts receivable, other	-	-	-	-	-	-	-	-	721,843
Due from affiliate	-	-	-	-	-	-	-	-	738,482
Accrued income receivable	-	-	-	-	-	-	-	-	117,576
Prepaid expenses	-	-	-	-	-	-	-	-	233,433
Other assets	-	-	-	-	-	-	-	-	396,350
Assets whose use is limited	-	-	-	-	-	-	-	-	7,769,232
Total current assets	-	-	-	-	-	-	-	-	20,504,255
Beneficial interest in trusts, with donor restrictions	-	-	-	-	-	-	-	-	19,739,753
Investments	-	-	-	-	-	-	-	-	47,460,825
Investments, with donor restrictions	-	-	-	-	-	-	-	-	5,867,935
Investment in Senior Living Partners of Virginia	-	-	-	-	-	-	-	-	-
Assets whose use is limited	-	-	-	-	-	-	-	-	23,424,666
Other assets	-	-	-	-	-	-	-	-	347,633
Property and equipment, net	-	-	-	-	-	-	-	-	136,542,808
Total assets	-	-	-	-	-	-	-	-	253,887,875
LIABILITIES AND NET ASSETS									
Liabilities									
Current liabilities									
Accounts payable	-	-	-	-	-	-	-	-	2,257,156
Accrued expenses	-	-	-	-	-	-	-	-	7,170,201
Due to affiliate	-	-	-	-	-	-	-	-	-
Deposits, prospective residents	-	-	-	-	-	-	-	-	370,245
Bonds payable	-	-	-	-	-	-	-	-	2,160,000
Other liabilities	-	-	-	-	-	-	-	-	1,388,040
Total current liabilities	-	-	-	-	-	-	-	-	13,345,642
Deposits, future list	-	-	-	-	-	-	-	-	599,000
Bonds payable, net of OID of \$2,889,347 and BIC of \$3,185,223	-	-	-	-	-	-	-	-	104,219,383
Deferred revenue, entrance fees	-	-	-	-	-	-	-	-	77,024,021
Refundable fees	-	-	-	-	-	-	-	-	3,005,913
Other liabilities	-	-	-	-	-	-	-	-	370,371
Total liabilities	-	-	-	-	-	-	-	-	198,564,330
NET ASSETS									
Without donor restrictions									
Undesignated	-	-	-	-	-	-	-	-	24,291,039
With board designations	-	-	-	-	-	-	-	-	5,162,876
With donor restrictions									
Purpose restricted	-	-	-	-	-	-	-	-	3,155,939
Perpetual in nature	-	-	-	-	-	-	-	-	22,713,691
Total net assets	-	-	-	-	-	-	-	-	55,323,545
Total liabilities and net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,887,875

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING BALANCE SHEET BY COMMUNITY MAY 31, 2022 (CONTINUED)

	WindsorMeade	HCRC	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 16,262,930	\$ 389,598	\$ -	\$ 26,724,446
Cash and cash equivalents, restricted	169,291	-	-	431,233
Total cash and cash equivalents	16,432,221	389,598	-	27,155,679
Accounts receivable, residents, less allowance for uncollectible accounts \$1,494,811	105,568	-	-	299,047
Accounts receivable, other	967,090	-	-	1,688,933
Due from affiliate	-	-	(738,482)	-
Accrued income receivable	-	-	-	117,576
Prepaid expenses	50,112	-	-	283,545
Other assets	-	-	-	396,350
Assets whose use is limited	703,055	-	-	8,472,287
Total current assets	18,258,046	389,598	(738,482)	38,413,417
Beneficial interest in trusts, with donor restrictions	-	-	-	19,739,753
Investments	-	15,847,481	-	63,308,306
Investments, with donor restrictions	-	-	-	5,867,935
Investment in Senior Living Partners of Virginia	-	236,137	-	236,137
Assets whose use is limited	5,704,555	-	-	29,129,221
Other assets	1,755,900	-	-	2,103,533
Property and equipment, net	88,202,877	145,692	-	224,891,377
Total assets	113,921,378	16,618,908	(738,482)	383,689,679
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	346,768	-	-	2,603,924
Accrued expenses	2,109,317	-	-	9,279,518
Due to affiliate	738,482	-	(738,482)	-
Deposits, prospective residents	77,637	-	-	447,882
Bonds payable	1,570,000	-	-	3,730,000
Other liabilities	-	-	-	1,388,040
Total current liabilities	4,842,204	-	(738,482)	17,449,364
Deposits, future list	165,000	-	-	764,000
Bonds payable, net of OID of \$2,889,347 and BIC of \$3,185,223	56,977,561	-	-	161,196,944
Deferred revenue, entrance fees	24,069,963	-	-	101,093,984
Refundable fees	54,052,783	-	-	57,058,696
Other liabilities	55,110	-	-	425,481
Total liabilities	140,162,621	-	(738,482)	337,988,469
NET ASSETS				
Without donor restrictions				
Undesignated	(26,410,534)	16,618,908	-	14,499,413
With board designations	-	-	-	5,162,876
With donor restrictions				
Purpose restricted	169,291	-	-	3,325,230
Perpetual in nature	-	-	-	22,713,691
Total net assets	(26,241,243)	16,618,908	-	45,701,210
Total liabilities and net assets	\$ 113,921,378	\$ 16,618,908	\$ (738,482)	\$ 383,689,679

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2023

	Corporate	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke	Cedarfield	Pinnacle Advantage	Pinnacle Living Eliminations	Pinnacle Living Obligated Group
Operating revenues and support								
Residents' / membership fees	\$ -	\$ 1,609,202	\$ 12,607,717	\$ 4,383,438	\$ 28,957,801	\$ 146,161	\$ -	\$ 47,704,319
Benevolent care	-	-	(214,365)	(61,014)	(41,036)	-	-	(316,415)
Amortization of deferred revenue from entrance fees	-	-	-	-	10,185,392	147,199	-	10,332,591
Ancillary service revenue, net	-	1,126	1,248	(18,303)	5,717	-	-	(10,212)
Other operating revenue	17,536,507	(981)	309,300	165,445	1,431,744	7,261	(5,339,991)	14,109,285
Total operating revenue	17,536,507	1,609,347	12,703,900	4,469,566	40,539,618	300,621	(5,339,991)	71,819,568
Operating expenses								
Administrative	7,097,680	350,558	2,035,966	939,865	5,973,851	40,886	(5,339,991)	11,098,815
Marketing	86,584	94,843	628,111	521,274	635,147	102,269	-	2,068,228
General overhead	222,217	37,449	259,915	105,399	578,229	-	-	1,203,209
Depreciation	531,635	177,994	720,010	212,895	5,778,828	-	-	7,421,362
Dining	-	340,249	1,851,361	1,021,917	5,423,073	-	-	8,636,600
Resident services	-	60,847	561,209	268,632	1,430,188	-	-	2,320,876
Donor restricted funds spent	-	1,150	1,015	3,376	162,273	-	-	167,814
Building and grounds	142,901	295,992	1,404,963	1,015,969	5,322,956	-	-	8,182,781
Housekeeping	-	114,026	922,782	186,007	1,591,741	-	-	2,814,556
Nursing / Neighborhoods	-	473,802	5,988,207	2,123,657	9,625,061	-	-	18,210,727
Total operating expenses	8,081,017	1,946,910	14,373,539	6,398,991	36,521,347	143,155	(5,339,991)	62,124,968
Excess (deficiency) from operations¹	9,455,490	(337,563)	(1,669,639)	(1,929,425)	4,018,271	157,466	-	9,694,600
Other non-operating charges								
Bequests	158,149	-	2,149	141	-	-	-	160,439
Trusts and legacies	151,658	-	29,440	857,738	-	-	-	1,038,836
Present value of trusts	(688,283)	-	(184,189)	(3,733,168)	(10,618)	-	-	(4,616,258)
Gain (loss) on disposal of property and equipment	(12,062)	17,469,422	-	1,430	-	-	-	17,458,790
Gain (loss) on disposal of property and equipment - Restricted	-	(268,478)	-	-	-	-	-	(268,478)
Contributions - Unrestricted	52	-	-	-	513	-	-	565
Contributions - Restricted	70,186	1,000	50,894	25,662	373,820	-	-	521,562
Investment income	2,494,272	-	20,884	-	666,267	-	-	3,181,423
Investment income - Restricted	82,555	-	6,435	-	47,371	-	-	136,361
Realized gain (loss) on investments	(375,691)	-	(24,195)	-	-	-	-	(399,886)
Realized gain (loss) on investments - Restricted	(53,728)	-	(1,043)	-	(34,091)	-	-	(88,862)
Unrealized gain (loss) on investments	(2,328,970)	-	(49,424)	-	-	-	-	(2,378,394)
Unrealized gain (loss) on investments - Restricted	(101,176)	-	7,172	-	(48,325)	-	-	(142,329)
Interest expense	(5,360)	-	-	-	(4,982,190)	-	-	(4,987,550)
Capitalized interest	-	-	-	-	393,731	-	-	393,731
Original issue premium	-	-	-	-	710,176	-	-	710,176
Bond issuance costs	-	-	-	-	(120,888)	-	-	(120,888)
Loss on defeasance of debt	-	-	-	-	-	-	-	-
Transfer (to) from affiliate	(13,602,900)	-	-	-	-	-	-	(13,602,900)
Other	26,127	-	(1,958)	(982)	(109,939)	(504)	-	(87,256)
Total non-operating charges	(14,185,171)	17,201,944	(143,835)	(2,849,179)	(3,114,173)	(504)	-	(3,090,918)
Excess (deficiency)²	\$ (4,729,681)	\$ 16,864,381	\$ (1,813,474)	\$ (4,778,604)	\$ 904,098	\$ 156,962	\$ -	\$ 6,603,682

¹This line item corresponds to the *Change in net assets from operations* line item on the Combining Statement of Activities.

²This line item corresponds to the *Change in net assets* line item on the Combining Statement of Activities.

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2023 (CONTINUED)

	WindsorMeade	HCRC	Eliminations	Total
Operating revenues and support				
Residents' / membership fees	\$ 18,100,242	\$ -	\$ -	\$ 65,804,561
Benevolent care	-	-	-	(316,415)
Amortization of deferred revenue from entrance fees	2,320,370	-	-	12,652,961
Ancillary service revenue, net	431,045	-	-	420,833
Other operating revenue	716,745	-	(1,942,610)	12,883,420
Total operating revenue	21,568,402	-	(1,942,610)	91,445,360
Operating expenses				
Administrative	3,825,393	-	(1,942,610)	12,981,598
Marketing	601,422	-	-	2,669,650
General overhead	1,029,872	-	-	2,233,081
Depreciation	3,975,448	-	-	11,396,810
Dining	2,548,737	-	-	11,185,337
Resident services	713,171	-	-	3,034,047
Donor restricted funds spent	9,714	-	-	177,528
Building and grounds	3,115,442	-	-	11,298,223
Housekeeping	750,178	-	-	3,564,734
Nursing / Neighborhoods	5,304,332	-	-	23,515,059
Total operating expenses	21,873,709	-	(1,942,610)	82,056,067
Excess (deficiency) from operations ¹	(305,307)	-	-	9,389,293
Other non-operating charges				
Bequests	-	-	-	160,439
Trusts and legacies	-	-	-	1,038,836
Present value of trusts	-	-	-	(4,616,258)
Gain (loss) on disposal of property and equipment	-	-	-	17,458,790
Gain (loss) on disposal of property and equipment - Restricted	-	-	-	(268,478)
Contributions - Unrestricted	-	-	-	565
Contributions - Restricted	48,051	-	-	569,613
Investment income	452,399	723,061	-	4,356,883
Investment income - Restricted	1,687	-	-	138,048
Realized gain (loss) on investments	-	(533,797)	-	(933,683)
Realized gain (loss) on investments - Restricted	-	-	-	(88,862)
Unrealized gain (loss) on investments	743,791	(719,510)	-	(2,354,113)
Unrealized gain (loss) on investments - Restricted	-	-	-	(142,329)
Interest expense	(2,324,338)	-	-	(7,311,888)
Capitalized interest	-	-	-	393,731
Original issue premium	419,736	-	-	1,129,912
Bond issuance costs	(53,412)	-	-	(174,300)
Loss on defeasance of debt	-	-	-	-
Transfer (to) from affiliate	-	13,602,900	-	-
Other	(38,771)	(1,860)	-	(127,887)
Total non-operating charges	(750,857)	13,070,794	-	9,229,019
Excess (deficiency) ²	\$ (1,056,164)	\$ 13,070,794	\$ -	\$ 18,618,312

¹This line item corresponds to the *Change in net assets from operations* line item on the Combining Statement of Activities.

²This line item corresponds to the *Change in net assets* line item on the Combining Statement of Activities.

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2022

	Corporate	Hermitage Northern Virginia	Hermitage Richmond	Hermitage Roanoke	Lydia Roper Home	Cedarfield	Pinnacle Advantage	Pinnacle Living Eliminations	Pinnacle Living Obligated Group
Operating revenues and support									
Residents' / membership fees	\$ -	\$ 8,073,699	\$ 12,710,095	\$ 3,826,758	\$ -	\$ 26,352,068	\$ 96,388	\$ -	\$ 51,059,008
Benevolent care	-	-	(297,601)	(98,638)	-	58,103	-	-	(338,136)
Amortization of deferred revenue from entrance fees	-	-	-	6,122	-	10,062,737	66,367	-	10,135,226
Ancillary service revenue, net	-	3,778	(9,678)	(9,494)	-	39,887	-	-	24,493
Other operating revenue	5,928,575	212,515	324,713	174,607	-	1,333,371	1,609	(3,566,711)	4,408,679
Total operating revenue	5,928,575	8,289,992	12,727,529	3,899,355	-	37,846,166	164,364	(3,566,711)	65,289,270
Operating expenses									
Administrative	5,839,734	1,412,256	1,679,993	811,708	-	3,773,043	38,626	(3,566,711)	9,988,649
Marketing	37,616	528,410	599,555	455,468	-	770,721	113,549	-	2,505,319
General overhead	2,190	208,214	277,691	100,070	5,934	563,381	-	-	1,157,480
Depreciation	298,282	1,229,582	768,270	231,042	21,960	4,804,877	-	-	7,354,013
Dining	-	1,824,783	1,765,086	921,162	-	5,205,371	-	-	9,716,402
Resident services	-	369,433	504,563	235,358	-	1,402,588	-	-	2,511,942
Donor restricted funds spent	-	-	3,476	5,740	-	70,305	-	-	79,521
Building and grounds	70,926	1,254,396	1,470,051	926,254	7,832	4,689,645	83	-	8,419,187
Housekeeping	-	648,061	875,412	158,687	-	1,481,682	-	-	3,163,842
Nursing / Neighborhoods	-	2,675,347	6,306,519	1,929,271	-	8,233,505	-	-	19,144,642
Total operating expenses	6,248,748	10,150,482	14,250,616	5,774,760	35,726	30,995,118	152,258	(3,566,711)	64,040,997
Excess (deficiency) from operations¹	(320,173)	(1,860,490)	(1,523,087)	(1,875,405)	(35,726)	6,851,048	12,106	-	1,248,273
Other non-operating charges									
Bequests	-	4,611	5,696	2,719	-	14,104	-	-	27,130
Trusts and legacies	-	20,470	49,524	673,573	-	59,279	-	-	802,846
Present value of trusts	-	(93,260)	(274,613)	(2,990,558)	-	(306,154)	-	-	(3,664,585)
Gain (loss) on disposal of property and equipment	-	(1,457)	(1,416)	(644)	(52,137)	1,222	-	-	(54,432)
Gain (loss) on disposal of property and equipment - Restricted	-	-	-	-	-	-	-	-	-
Contributions - Unrestricted	-	16,053	66	31	-	(2,757)	-	-	13,393
Contributions - Restricted	88,143	2,656	29,919	40,940	-	322,626	-	-	484,284
Investment income	-	-	-	-	-	2,451,164	-	-	2,451,164
Investment income - Restricted	64,107	7,571	42,771	-	-	31,286	-	-	145,735
Realized gain (loss) on investments	-	-	-	-	-	812,975	-	-	812,975
Realized gain (loss) on investments - Restricted	(28,348)	(20,237)	(18,641)	-	-	(8,441)	-	-	(75,667)
Unrealized gain (loss) on investments	122,786	-	-	-	-	(5,906,541)	-	-	(5,783,755)
Unrealized gain (loss) on investments - Restricted	73,485	(26,715)	(529,177)	-	-	26,455	-	-	(455,952)
Interest expense	-	(471)	(605)	(289)	-	(5,156,001)	-	-	(5,157,366)
Capitalized interest	-	-	-	-	-	1,111,835	-	-	1,111,835
Original issue premium	-	-	-	-	-	828,571	-	-	828,571
Bond issuance costs	-	-	-	-	-	(120,885)	-	-	(120,885)
Loss on defeasance of debt	-	-	-	-	-	-	-	-	-
Transfer (to) from affiliate	-	48,519	340,213	103,219	-	679,564	-	-	1,171,515
Other	-	(8,133)	(13,171)	(6,144)	-	(118,196)	(540)	-	(146,184)
Total non-operating charges	320,173	(50,393)	(369,434)	(2,177,153)	(52,137)	(5,279,894)	(540)	-	(7,609,378)
Excess (deficiency)²	\$ -	\$ (1,910,883)	\$ (1,892,521)	\$ (4,052,558)	\$ (87,863)	\$ 1,571,154	\$ 11,566	\$ -	\$ (6,361,105)

¹This line item corresponds to the *Change in net assets from operations* line item on the Combining Statement of Activities.

²This line item corresponds to the *Change in net assets* line item on the Combining Statement of Activities.

PINNACLE LIVING
SUPPLEMENTAL INFORMATION AND OTHER REQUIRED DISCLOSURES
COMBINING STATEMENT OF ACTIVITIES BY COMMUNITY YEAR ENDED MAY 31, 2022 (CONTINUED)

	WindsorMeade	HCRC	Eliminations	Total
Operating revenues and support				
Residents' / membership fees	\$ 16,470,630	\$ -	\$ -	\$ 67,529,638
Benevolent care	-	-	-	(338,136)
Amortization of deferred revenue from entrance fees	2,927,680	-	-	13,062,906
Ancillary service revenue, net	401,108	-	-	425,601
Other operating revenue	424,924	-	(1,484,216)	3,349,387
Total operating revenue	20,224,342	-	(1,484,216)	84,029,396
Operating expenses				
Administrative	3,163,394	-	(1,484,216)	11,667,827
Marketing	612,137	-	-	3,117,456
General overhead	953,321	-	-	2,110,801
Depreciation	3,836,196	-	-	11,190,209
Dining	2,127,267	-	-	11,843,669
Resident services	714,717	-	-	3,226,659
Donor restricted funds spent	3,120	-	-	82,641
Building and grounds	2,805,180	-	-	11,224,367
Housekeeping	635,868	-	-	3,799,710
Nursing / Neighborhoods	4,571,359	-	-	23,716,001
Total operating expenses	19,422,559	-	(1,484,216)	81,979,340
Excess (deficiency) from operations ¹	801,783	-	-	2,050,056
Other non-operating charges				
Bequests	-	-	-	27,130
Trusts and legacies	-	-	-	802,846
Present value of trusts	-	-	-	(3,664,585)
Gain (loss) on disposal of property and equipment	-	-	-	(54,432)
Gain (loss) on disposal of property and equipment - Restricted	-	-	-	-
Contributions - Unrestricted	2,000	-	-	15,393
Contributions - Restricted	77,885	-	-	562,169
Investment income	533	398,977	(333,075)	2,517,599
Investment income - Restricted	-	-	-	145,735
Realized gain (loss) on investments	-	(267,307)	-	545,668
Realized gain (loss) on investments - Restricted	-	-	-	(75,667)
Unrealized gain (loss) on investments	950,781	(1,100,447)	-	(5,933,421)
Unrealized gain (loss) on investments - Restricted	-	-	-	(455,952)
Interest expense	(1,968,958)	-	333,075	(6,793,249)
Capitalized interest	-	-	-	1,111,835
Original issue premium	190,863	-	123,939	1,143,373
Bond issuance costs	(42,153)	-	2,094	(160,944)
Loss on defeasance of debt	(12,766,498)	-	324,677	(12,441,821)
Transfer (to) from affiliate	288,251	(1,459,766)	-	-
Other	17,173	(1,027)	-	(130,038)
Total non-operating charges	(13,250,123)	(2,429,570)	450,710	(22,838,361)
Excess (deficiency) ²	\$ (12,448,340)	\$ (2,429,570)	\$ 450,710	\$ (20,788,305)

¹This line item corresponds to the *Change in net assets from operations* line item on the Combining Statement of Activities.

²This line item corresponds to the *Change in net assets* line item on the Combining Statement of Activities.

SUMMARY OF FINANCIAL INFORMATION
HERMITAGE NORTHERN VIRGINIA
AS OF MAY 31, 2023 AND 2022

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ 1,609,347	\$ 8,289,992
Total operating expenses	\$ 1,946,910	\$ 10,150,482
Deficiency from operations	\$ (337,563)	\$ (1,860,490)
Total non-operating charges and fees	\$ 17,201,944	\$ (50,393)
Excess (deficiency)	\$ 16,864,381	\$ (1,910,883)

Narrative on Financial Condition FY 2023:

As of August 1, 2022. Pinnacle Living has sold Hermitage Northern Virginia to Goodwin Living.

Summary of Occupancy Information:

	Capacity of Residences ²	Average Occupancy	Percentage Occupancy
Independent Living / Assisted Living ¹	N/A	N/A	N/A
Health Care	N/A	N/A	N/A

SUMMARY OF FINANCIAL INFORMATION
HERMITAGE RICHMOND
AS OF MAY 31, 2023 AND 2022

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ 12,703,900	\$ 12,727,529
Total operating expenses	\$ 14,373,539	\$ 14,250,616
Excess from operations	\$ (1,669,639)	\$ (1,523,087)
Total non-operating charges and fees	\$ (143,835)	\$ (369,434)
Deficiency	\$ (1,813,474)	\$ (1,892,521)

Narrative on Financial Condition FY 2023:

Hermitage Richmond (“Richmond”) change in net assets from operations is lower year-over-year. Revenues were flat year-over-year even though average census was a little higher. This was based on payor mix. Expenses were higher primarily caused by inflation. To offset higher expenses, Richmond was able to reduce employee count through attrition.

Summary of Occupancy Information:

	Capacity of Residences ²	Average Occupancy	Percentage Occupancy
Independent Living / Assisted Living ¹	119	88	74%
Health Care	70	44	63%

¹Hermitage Richmond’s residence configuration allows a resident to remain in their residence in either independent living or assisted living. Therefore, independent living and assisted living are combined.

²Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private vs. semi-private room.

SUMMARY OF FINANCIAL INFORMATION
HERMITAGE ROANOKE
AS OF MAY 31, 2023 AND 2022

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ 4,469,566	\$ 3,899,355
Total operating expenses	\$ 6,398,991	\$ 5,774,760
Deficiency from operations	\$ (1,929,425)	\$ (1,875,405)
Total non-operating charges and fees	\$ (2,849,179)	\$ (2,177,153)
Deficiency	\$ (4,778,604)	\$ (4,052,558)

Narrative on Financial Condition FY 2023:

Hermitage Roanoke (“Roanoke”) change in net assets from operations is lower year-over-year. Average census was higher in fiscal 2023. However, this was offset by inflationary factors that influenced maintenance, utilities and, most notably, salaries. Roanoke is aided by a few dedicated perpetual trusts that amounted to receiving an additional \$858,000.

Summary of Occupancy Information:

	Capacity of Residences ¹	Average Occupancy	Percentage Occupancy
Independent Living	22	21	95%
Assisted Living	50	42	84%
Health Care	14	12	86%

¹Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private room vs. semi-private room.

SUMMARY OF FINANCIAL INFORMATION
 LYDIA ROPER HOME
 AS OF MAY 31, 2023 AND 2022

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ --	\$ --
Total operating expenses	\$ --	\$ 35,726
Deficiency from operations	\$ --	\$ (35,726)
Total non-operating charges and fees	\$ --	\$ 52,137
Deficiency	\$ --	\$ (87,863)

Narrative on Financial Condition FY 2023:

Lydia Roper Home closed effective January 31, 2019 and was sold in this fiscal year for \$799,675.

Summary of Occupancy Information:

	Capacity of Residences	Average Occupancy	Percentage Occupancy
Independent Living / Assisted Living	N/A	N/A	N/A

SUMMARY OF FINANCIAL INFORMATION
CEDARFIELD
AS OF MAY 31, 2023 AND 2022

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ --	\$ --
Total liabilities	\$ --	\$ --
Total net assets	\$ --	\$ --
Statement of Activities Summary:		
Total operating revenues	\$ 40,539,618	\$ 37,846,166
Total operating expenses	\$ 36,521,347	\$ 30,995,118
Excess from operations	\$ 4,018,271	\$ 6,851,048
Total non-operating charges and fees	\$ (3,114,173)	\$ (5,279,894)
Excess	\$ 904,098	\$ 1,571,154

Narrative on Financial Condition FY 2023:

Cedarfield change in net assets from operations is lower year-over-year. Resident fees were higher due to an increase in census. However, this was offset by inflationary factors affecting maintenance, food costs and, most notably, salaries. Rising interest rates aided Cedarfield’s investments as it’s funds with the Trustee provided an additional \$666,000 in funds for capital projects.

Summary of Occupancy Information:

	Capacity of Residences ¹	Average Occupancy	Percentage Occupancy
Independent Living	341	319	94%
Assisted Living	65	60	92%
Health Care	60	57	95%

¹Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private room vs. semi-private room.

SUMMARY OF FINANCIAL INFORMATION
WINDSORMEADE
AS OF MAY 31, 2023 AND 2022

	Current Year	Prior Year
Balance Sheet Summary:		
Total assets	\$ 113,797,402	\$ 113,921,378
Total liabilities	\$ 141,094,809	\$ 140,162,621
Total net assets	\$ (27,297,407)	\$ (26,241,243)
Statement of Activities Summary:		
Total operating revenues	\$ 21,568,402	\$ 20,224,342
Total operating expenses	\$ 21,873,709	\$ 19,422,559
Excess (deficiency) from operations	\$ (305,307)	\$ 801,783
Total non-operating charges and fees	\$ (750,857)	\$ (13,250,123)
Deficiency	\$ (1,056,164)	\$ (12,448,340)

Narrative on Financial Condition FY 2023:

WindsorMeade produced a change in net assets from operations lower than budget by \$1.1M. While revenues were higher due to higher occupancy and a one-time payment from FEMA in the amount of \$374K, it was not enough to offset increases in expenses primarily due to salaries. The increase in salaries, however, has very much limited any agency usage since the beginning of January, providing better continuity of services to the WindsorMeade residents. Non-operating items are performing better than the budget due to investment income and the increase in the cap due to rising interest rates. (The cap value is factored out of all bond covenants.) This has caused the total change in net assets to be lower than the budget by \$250K.

Summary of Occupancy Information:

	Capacity of Residences ¹	Average Occupancy	Percentage Occupancy
Independent Living	181	177	98%
Assisted Living	32	30	94%
Health Care	22	19	86%

¹Capacity of residences does not include any residences that are offline due to either renovation or other purposes. The health care capacity equals the number of beds that are active and would not include any bed offline for residence renovations or due to a resident paying for a private room vs. semi-private room.

Exhibit B

Pinnacle Living
 Pro Forma Statements of Activities
 Years Ended May 31, 2024 – May 31, 2028

	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028
Operating revenues and support					
Residents' / membership fees	\$ 51,044,102	\$ 52,575,425	\$ 54,152,688	\$ 55,777,269	\$ 57,450,588
Benevolent care	(469,684)	(483,775)	(498,288)	(513,237)	(528,634)
Amortization of deferred revenue from entrance fees	10,500,000	10,815,000	11,139,450	11,473,634	11,817,843
Ancillary service revenue, net	57,388	59,110	60,884	62,711	64,593
Ancillary service revenue, Medicare	915,031	942,482	970,756	999,879	1,029,875
Other operating revenue	1,033,677	1,064,687	1,096,628	1,129,528	1,163,413
Administrative services agreement WindsorMeade	1,792,504	1,846,279	1,901,667	1,958,718	2,203,557
Total operating revenue	64,873,018	66,819,208	68,823,785	70,888,502	73,201,235
Operating expenses					
Administrative	9,837,829	10,132,964	10,436,953	10,750,061	11,072,563
Marketing	2,529,925	2,605,823	2,683,997	2,764,516	2,847,452
General overhead	998,248	1,028,195	1,059,041	1,090,812	1,123,536
Depreciation	7,000,042	7,210,043	7,426,344	7,649,134	7,878,609
Dining	8,591,960	8,849,719	9,115,211	9,388,667	9,670,326
Resident services	1,961,080	2,019,912	2,080,510	2,142,926	2,207,213
Social services	466,157	480,141	494,546	509,383	524,664
Donor restricted funds spent	-	-	-	-	-
Building and grounds	7,749,268	7,981,746	8,221,198	8,467,834	8,721,869
Housekeeping	3,165,169	3,260,124	3,357,928	3,458,665	3,562,425
Nursing / Neighborhoods	19,408,534	23,017,778	23,708,312	24,419,562	25,152,149
Total operating expenses	61,708,212	66,586,445	68,584,040	70,641,560	72,760,806
Change in net assets from operations	3,164,806	232,763	239,745	246,942	440,429
Other non-operating charges					
Trusts and legacies	809,321	810,048	810,797	811,568	812,363
Contributions - Restricted	175,000	180,250	185,658	191,228	196,965
Investment income	2,496,288	1,657,135	1,590,599	1,518,317	1,563,866
Investment income - Restricted	174,855	247,320	246,123	244,998	243,948
Interest expense	(4,927,456)	(5,075,280)	(5,227,538)	(5,384,364)	(5,545,895)
Original issue premium	197,958	197,340	-	-	-
Bond issuance costs	(120,884)	(120,884)	(120,884)	(120,884)	(120,884)
Transfer (to) from affiliate	(7,100,000)	(3,875,000)	(4,000,000)	-	-
Other	(163,075)	(167,967)	(173,005)	(178,195)	(183,542)
Total non-operating charges	(8,457,993)	(6,147,038)	(6,688,250)	(2,917,332)	(3,033,179)
Change in net assets	\$ (5,293,187)	\$ (5,914,275)	\$ (6,448,505)	\$ (2,670,390)	\$ (2,592,750)

See accompanying footnotes

Pinnacle Living
Pro Forma Balance Sheets
May 31, 2024 – May 31, 2028

	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 15,656,125	\$ 15,653,508	\$ 16,196,747	\$ 17,318,549	\$ 18,806,548
Accounts receivable, net	292,958	301,747	310,800	320,124	329,727
Due from affiliate	784,221	807,747	831,980	856,939	856,939
Accrued income	117,576	117,576	117,576	117,576	117,576
Prepaid expenses	49,000	49,000	49,000	49,000	49,000
Other assets	450,000	450,000	450,000	450,000	450,000
Assets whose use is limited	4,932,190	5,036,190	4,889,190	4,941,190	4,941,190
Total current assets	22,282,070	22,415,768	22,845,293	24,053,378	25,550,980
Beneficial interest in trusts, with donor restrictions	19,739,753	19,739,753	19,739,753	19,739,753	19,739,753
Investments	60,783,059	58,444,310	55,914,025	57,311,458	58,754,440
Assets whose use is limited	7,814,081	7,706,081	7,598,081	7,490,081	7,382,081
Other assets	309,809	309,809	309,809	309,809	309,809
Property and equipment, net	141,658,351	139,704,575	136,932,696	133,597,363	130,032,555
Total assets	\$ 252,587,123	\$ 248,320,296	\$ 243,339,657	\$ 242,501,842	\$ 241,769,618
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 2,078,867	\$ 2,243,208	\$ 2,310,504	\$ 2,379,819	\$ 2,451,214
Due to affiliate					
Deposits	150,000	150,000	150,000	150,000	150,000
Bonds payable	2,385,000	2,500,000	2,410,000	2,515,000	2,515,000
Other liabilities	44,695	44,695	44,695	44,695	44,695
Total current liabilities	11,736,868	12,575,772	12,782,204	13,192,529	13,507,014
Deposits, futures	616,000	616,000	616,000	616,000	616,000
Bonds payable	96,135,000	93,635,000	91,225,000	88,710,000	86,195,000
Original issue premium, net	197,340	-	-	-	-
Bond issuance costs, net	(2,022,151)	(1,901,267)	(1,780,383)	(1,659,499)	(1,538,615)
Deferred revenue and refundable fees, entrance fees	85,911,041	89,404,041	93,062,591	96,878,957	100,819,114
Other liabilities	243,459	135,459	27,459	27,459	27,459
Total liabilities	\$ 192,817,557	\$ 194,465,005	\$ 195,932,871	\$ 197,765,446	\$ 199,625,972
Net Assets	\$ 59,769,566	\$ 53,855,291	\$ 47,406,786	\$ 44,736,396	\$ 42,143,646
Total liabilities and net assets	\$ 252,587,123	\$ 248,320,296	\$ 243,339,657	\$ 242,501,842	\$ 241,769,618

See accompanying footnotes

Pinnacle Living
Pro Forma Statement of Cash Flows
Years Ended May 31, 2024 – May 31, 2028

	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028
Operating Activities					
Change in net assets	\$ (5,293,187)	\$ (5,914,275)	\$ (6,448,505)	\$ (2,670,390)	\$ (2,592,750)
Adjustments to operating activities					
Amortization of deferred revenue from entrance fees	(10,500,000)	(10,815,000)	(11,139,450)	(11,473,634)	(11,817,843)
Depreciation	7,000,042	7,210,043	7,426,344	7,649,134	7,878,609
Amortization of OIP & BIC	(77,074)	(76,456)	120,884	120,884	120,884
Entrance fees	14,535,000	14,971,000	15,420,000	15,883,000	16,359,000
Refunds of entrance fees	(802,000)	(663,000)	(622,000)	(593,000)	(601,000)
Change in operating assets and liabilities	(204,976)	583,589	155,146	271,042	304,882
Net cash provided by (used in) operating activities	4,657,805	5,295,901	4,912,419	9,187,036	9,651,782
Investing Activities					
Change in investments and assets whose use is limited	13,825,606	2,342,749	2,785,285	(1,341,433)	(1,334,982)
Purchase of property & equipment	(17,078,165)	(5,256,267)	(4,654,465)	(4,313,801)	(4,313,801)
Net cash provided by (used in) investing activities	(3,252,559)	(2,913,518)	(1,869,180)	(5,655,234)	(5,648,783)
Financing Activities					
Payment of debt	(2,270,000)	(2,385,000)	(2,500,000)	(2,410,000)	(2,515,000)
Net cash provided by (used in) financing activities	(2,270,000)	(2,385,000)	(2,500,000)	(2,410,000)	(2,515,000)
Net increase (decrease) in cash and cash equivalents	(864,754)	(2,617)	543,239	1,121,802	1,487,999
Cash and cash equivalents, beginning	16,520,879	15,656,125	15,653,508	16,196,747	17,318,549
Cash and cash equivalents, ending	\$ 15,656,125	\$ 15,653,508	\$ 16,196,747	\$ 17,318,549	\$ 18,806,548

See accompanying footnotes

Footnote 1: DISCLOSURE PRINCIPLE DEPARTURES AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS ISSUED BY THE U.S. FINANCIAL ACCOUNTING STANDARDS BOARD

These pro forma statements are not intended to replace disclosures that are a part of audited GAAP financial statements. To gain a better understanding of the Organization, see the most recent audited financial statements. These financial statements may be found on the Electronic Municipal Market Access (“EMMA”) site located at <http://emma.msrb.org/Home>. Search for Virginia United Methodist Homes, Inc. dba Pinnacle Living.

Footnote 2: MEASUREMENT PRINCIPLE DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS ISSUED BY THE U.S. FINANCIAL ACCOUNTING STANDARDS BOARD

A. Cash, cash equivalents and investments

Cash, cash equivalents and investments are separated out between those with or without donor restrictions. To gain a better understanding of Pinnacle Living’s cash, cash equivalents and investments, refer to the audited financial statements.

B. Amortization of deferred revenue from entrance fees

Deferred revenue and refundable fees

The pro-forma statements include assumptions for move-ins, move-outs and transfers between levels of care. These statements use a five-year historical moving average, with reasonable adjustments made by the accounting team in lieu of actuarially determined estimates. These assumptions may affect the estimated deferred revenue and refundable fee amount.

C. Depreciation

Depreciation amounts for assets placed in service, as well as future capital projects, are based on an average estimated life. Actual approved capital projects for the years 2024-2028 may be different than budgeted capital projects.

D. Deferred revenue and refundable fees

These pro forma statements combine deferred revenue and refundable fees together.

E. Net Assets

Net Assets are not broken out to show Without Donor Restrictions and With Donor Restrictions. To gain a better understanding of Pinnacle Living’s Net Assets, refer to the audited financial statements.

F. Statement of Cash Flows

- i. These pro-forma statements summarize the Changes in operating assets and liabilities.
- ii. These pro forma statements show entrance fees net of refunds.
- iii. These pro forma statements summarize the proceeds from sale of investment securities, purchase of investments and withdrawal from investments into one line item called Change in AWUL (Assets whose use is limited) and investments.
- iv. These pro forma statements summarize all principal payments on the senior bonds.

Exhibit C

Pinnacle Living
Pinnacle Advantage Community Based Continuing Care Program
Pro Forma Statements of Activities
Years Ended May 31, 2024 – May 31, 2028

	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028
Operating revenues and support					
Membership fees	\$ 148,800	\$ 153,264	\$ 157,862	\$ 162,598	\$ 167,476
Amortization of deferred revenue from entrance fees	100,000	103,000	106,090	109,273	112,551
Other operating revenue	1,200	1,236	1,273	1,311	1,350
Total operating revenue	250,000	257,500	265,225	273,182	281,377
Operating expenses					
Administrative	39,936	41,134	42,368	43,639	44,948
Marketing	5,000	5,150	5,305	5,464	5,628
Total operating expenses	44,936	46,284	47,673	49,103	50,576
Change in net assets from operations	205,064	211,216	217,552	224,079	230,801
Other					
Other	(600)	(618)	(637)	(656)	(676)
Total non-operating charges	(600)	(618)	(637)	(656)	(676)
Change in net assets	\$ 204,464	\$ 210,598	\$ 216,915	\$ 223,423	\$ 230,125

See Accompanying Footnotes

Pinnacle Living
Pinnacle Advantage Community Based Continuing Care Program
Pro Forma Footnotes
Years Ended May 31, 2024 – May 31, 2028

Footnote 1: DISCLOSURE PRINCIPLE DEPARTURES AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS ISSUED BY THE U.S. FINANCIAL ACCOUNTING STANDARDS BOARD

This pro forma statement is not intended to replace disclosures that are a part of audited GAAP financial statements. To gain a better understanding of the Organization, see the most recent audited financial statements. These financial statements may be found on the Electronic Municipal Market Access (“EMMA”) site located at <http://emma.msrb.org/Home>. Search for Virginia United Methodist Homes, Inc. dba Pinnacle Living.

Pinnacle Advantage is a part of the Pinnacle Living Obligated Group and shares the same EIN number as Pinnacle Living. As such, assets and liabilities of Pinnacle Advantage are the assets and liabilities of Pinnacle Living. Because of this, showing only a balance sheet and statement of cash flows for Pinnacle Advantage may be misleading.