

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.

DISCLOSURE STATEMENT

June 2023

Issuance of a certificate of registration by the Maryland Department of Aging does not constitute approval, recommendation or endorsement of a continuing care retirement community by the Department, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set forth in this Disclosure Statement.

Disclaimer

This Disclosure Statement sets forth information required to be disclosed by Title 10, Section 10- 425 of the Human Services Article of the Annotated Code of Maryland. The information provided is in response to specific topics identified in the statute, and Friends House Retirement Community, Inc., makes no representation that all material information related to Friends House Retirement Community, Inc. is set forth in this Disclosure Statement.

In addition, this Disclosure Statement attempts to summarize the Residence and Services Agreement. Any discrepancy between the statements made in this Disclosure Statement and the Residence and Services Agreement shall be governed by the terms of the Residence and Services Agreement.

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FRIENDS HOUSE RETIREMENT COMMUNITY, INC.

DISCLOSURE STATEMENT

Fiscal Year July 1, 2022 – June 30, 2023

The following statement is given in compliance with Title 10, Section 10-425 of the Human Services Article of the Annotated Code of Maryland.

1. Name and Address of the Facility.

The name and address of the Facility is:

Friends House Retirement Community, Inc.
17340 Quaker Lane
Sandy Spring
Montgomery County, Maryland 20860

2. Description of the Facility.

The Friends House Retirement Community, Inc. ("Friends House") is located in Sandy Spring, Maryland (the "Campus") and currently consists of independent living cottages and apartments, rental apartments, assisted living and comprehensive nursing care (the "Community") on a fee-for-service basis. Friends House owns the facility and land on which the facility is located.

Friends House currently operates 40 independent living cottages, 65 independent living apartments, 24 Assisted Living units and 82 Comprehensive Care units.

The Community is home to active seniors with a wide variety of social events and activities. The Provider provides home-style meal service meeting the needs for diverse dietary needs.

The Community features paved roads and walkways, including walking paths in the woods surrounding the Campus. The Community also has a large working garden and a beautiful pond on its Campus.

The Community is located on Norwood Road approximately one mile south of Highway 108 in Sandy Spring, Maryland.

Mission Statement

The Provider's mission is to create a caring community that connects residents and other seniors, volunteers and staff in a way that nurtures the physical, mental, emotional and spiritual well-being of each of its members. The Provider seeks to offer an affordable and fulfilling lifestyle for older persons of diverse backgrounds, economic means and abilities in a safe and caring environment.

3. No Parent or Subsidiary Person.

There is no parent company or subsidiary person.

4. Organizational Structure and Management.

Friends House Retirement Community, Inc., a Maryland not-for-profit corporation recognized by the Internal Revenue Service as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code, operates a continuing care retirement community consisting of independent living, assisted living and skilled nursing care in Montgomery County, Maryland.

Day-to-day management of the continuing care retirement community is under the direction of Philip Burkholder, CEO.

See Exhibit A for Organizational Chart.

5. Statement of Affiliation.

Although the majority of the Board of Directors of the Provider is required to be members of The Religious Society of Friends, no organization or constituent body of the Religious Society of Friends has a contractual or financial responsibility for the obligations of the Provider.

6. Description of Fees.

A. Independent Living.

Under the terms of the Provider's Continuing Care Resident Agreement and the new Residence and Services Agreement (together, the "CCRC Agreements") the resident pays an Entrance Fee and a monthly fee when the resident enters the Community and moves into an independent living cottage or apartment.

(1) Entrance Fee. The Entrance Fee is based on the size and type of cottage or apartment desired by the resident(s). The requirements for payment and refunds of the Entrance Fee are outlined in the CCRC Agreements.

There are three types of Entrance Fee refund plans offered by the Provider for independent living residences: 90% Refund, 50% Refund and Declining Refund. Residents should carefully read their continuing care contract for the conditions that must be satisfied before the Provider is required to pay the Entrance Fee refund. The portion of the Entrance Fee to be refunded after the date of occupancy, if any, is not held in trust or escrow for the benefit of the resident after the date of occupancy except that residents who are placing deposits on units to be constructed will have their deposits placed in an escrow account.

(2) Monthly Service Fee. The resident is also required to pay the Provider a Monthly Service Fee. A Monthly Service Fee is assigned to each cottage or apartment. The Monthly Service Fee may be adjusted from time-to-time by the Provider, at its discretion, based upon operating costs and other financial needs of the Provider upon thirty (30) days prior written notice to the resident.

B. Assisted Living.

When a resident transfers to assisted living on a temporary basis, the resident pays the Monthly Service Fee plus the per diem charge for assisted living services. If the resident permanently transfers to assisted living, and the resident releases his/her cottage or apartment, then the resident pays only the costs associated with the assisted living apartment and services.

C. Skilled Nursing Care.

When a resident transfers to the skilled nursing center on a temporary basis, the resident pays the Monthly Service Fee plus the per diem charge for skilled health care services. If the resident permanently transfers to the skilled nursing center and the resident releases his/her cottage or apartment, then the resident pays only the costs associated with skilled health care services.

D. Ancillary Services.

See Addendum 1.

7. Fee Changes During the Past 5 Years.

See Exhibit I for a description of fees for the past five (5) years.

8. Operating Reserve Requirements.

Continuing care retirement communities are required by State law to create an operating reserve of 15% of annual net operating expenses, subject to a ten (10) year phase-in period. Friends House received its initial Certificate of Registration in June of 2010. The operating reserve schedule represents the calculation of the projected operating reserve for the ten (10) year phase-in period to meet the operating reserve requirements. Please note that this schedule has been prepared based on the year in which the operating reserve is to be funded, and therefore, the actual calculation presents the operating expenses incurred from the prior year. The operating reserve requirement increased to 25% in January 2023.

The operating reserve requirement was funded effective 6/30/2023.

See Exhibit G-4 for Operating Reserve Funding Spreadsheet.

9. Operating Reserve Investment Policy.

The Board reviews the organization's investments and operating reserve fund on a quarterly basis. The Provider invests operating reserves in low risk investment vehicles such as money market, treasury notes, fixed-income and long-term growth funds, maintaining the funds in reasonably liquid forms in the judgment of the Provider and/or its investment adviser.

10. Most Recent Certified Financial Statement.

The auditor for the Provider is Gross Mendelsohn & Company, LLC. The official audit results are presented annually with comments to the Executive and Finance Committee of the Board and are attached to this Disclosure Statement as Exhibit G-1.

11. Description of Long-Term Financing.

See Exhibit G-1, Notes to Certified Financial Statements.

12. Pre-Opening Feasibility Study.

Does not apply.

13. Fill Up Feasibility Study

Does not apply.

14. Cash Flow Forecast Statement.

The cash low forecast statement for the current and next two fiscal years is attached as Exhibit G-3.

15. Names and Occupations of Board of Trustees and Board Information.

As a not-for-profit corporation, no individual person or persons owns an equitable or beneficial interest in the Provider. There are no managing or general partners or anyone that owns a beneficial interest in the Provider, nor is there anyone that retains a financial interest in the Provider.

The Community is currently managed under the direction of a sixteen (15) volunteer member Board of which one (1) volunteer Board member is a Community resident. The Bylaws of the Provider require that the majority of the members of the Board must be members of The Religious Society of Friends. The Bylaws also require one Resident Board member.

One (1) resident of the Community residing in independent living, is a member of the Board. The resident member of the Board is nominated by the Seniors Association and elected to a two-year term by a majority vote of all residents.

The Board meets five (5) times per year.

The current Board members, officers and their occupations are as follows:

<u>Board of Directors:</u>	<u>Phone Number</u>	<u>Occupation:</u>
Jennifer Bell-Newton	301-924-5100	Business Manager
Jim Citro	301-924-5100	Director
Jade Eaton, Alt. Recording Clerk	301-924-5100	Retired Attorney
Judith Farquhar, Recording Clk	301-924-5100	Resident
William Foskett	301-924-5100	Retired
Barbara Gibian, Clerk	301-924-5100	Retired Attorney
Tom Gibian	301-924-5100	Retired Educator
Charles Greene	301-924-5100	Attorney
John Hines	301-924-5100	Executive Director
David Jones	301-924-5100	Retired Marketing Professional
Hunter McKay	301-924-5100	Health & Human Serv., Proj Mgr
Laurita Portee, Assistant Clerk	301-924-5100	Insurance Representative
William Schaufler	301-924-5100	Educator
Elizabeth Willson	301-924-5100	Healthcare Services

Residents' Representatives:

Joe Rockey, President of the Friends House Seniors Association
Susan Griffin, Nominated Resident Representative

The listing of department directors employed by the Provider are:

<u>Director Name</u>	<u>Phone Number</u>	<u>Title</u>
Philip Burkholder	301-924-7528	Chief Executive Officer
Anne Derby	301-924-7510	Development Director
Gregory Jackson	301-924-7522	Chief Financial Officer
Elizabeth Nicely	301-924-7535	Human Resources Dir.
Kadine Mitchell	301-924-7511	Nursing Home Administrator
Michael Stoner	301-804-4214	Dir. of Facilities & Project Management

None of the department directors or officers or members of the Board either before or after the merger: (a) been convicted of, or pleaded nolo contendere to, a felony charge involving fraud, embezzlement, fraudulent conversion, or misappropriation of property; (b) been held liable, or enjoined by a final judgment, in a civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation as a fiduciary; (c) been subject to an effective injunctive or restrictive order of a court of record arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons; or (d) had any state or federal license or permit suspended or revoked within the past 10 years, as a result of an action brought by a governmental agency arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons.

16. Financial Interests

None

17. Business Services Provided

None

18. No Third Party Manager or Management Contract.

The Community is not managed by a third-party manager or management company.

19. Action Against Management Individuals

See number 15 above.

20. Form of Governance of the Provider

See number 15 above.

21. Meetings with Residents and Seniors Association.

A. Annual Meeting.

A Friends House authorized officer holds an annual meeting with the residents. The officer is responsible to provide a summary of the Provider's operations; give information on significant changes from the previous year; review the goals and objectives of the organization and answer questions.

The Annual Meeting was held on February 15, 2023.

B. Seniors Association.

All of the residents are part of the Friends House Seniors Association ("Seniors Association"). The Seniors Association has a President, 2 Vice Presidents, Secretary, Assistant Secretary, Treasurer and Assistant Treasurer. The purpose of the Seniors Association is to: plan for and organize the Community to assure there are meaningful activities; provide a structure of organization and decision-making for all residents living in the Community; and provide communication to administration regarding issues related to quality of living in the Community. The Seniors Association oversees all resident committees, all resident programs and activities, and assures that the Community operates within the values of the Religious Society of Friends.

The Friends House Seniors Association meets eleven (11) times per year. The President of the Seniors Association conducts the meetings. At each meeting, at least three (3) of the resident committees give an annual report of their activities. The CEO also gives a report at each meeting.

Two (2) residents of the Seniors Association attend the Board of Directors Trustees meeting as Resident Representatives. The FHSA President and one Vice President are by office designated as primary Representatives. The other FHSA Vice President is by office the designated alternate Representative if needed due to absence of a primary Representative. of the Seniors Association is one of the Representatives by office and the other Representative is nominated by the Association. The Resident Representatives report to the monthly members meeting of the Seniors Association after each Board meeting.

Per the Bylaws of the organization, the Board of Directors ensures that one (1) resident is nominated to the Board and serves as a member of the Board.

Annually, two (2) residents of the Community are nominated by the Seniors Association to serve as Resident Representatives to the Board. It is the role and responsibility of the resident representatives to bring information both to the Seniors Association after a Board meeting, or take information to the Board's meeting from the Seniors Association meeting.

22. Use of Escrow Deposits

Does not apply

23. Use of Escrow Deposits

Does not apply

24. Summary of Services.

The resident's rights under the CCRC Agreements are not proprietary and do not include any right, title or interest in the real or personal property of the Provider, nor does any resident have the right to transfer, convey, assign or divide his or her rights under the CCRC Agreements. The resident's rights are primarily for services with a contractual right of occupancy.

A. Independent Living.

The Provider will furnish floor coverings, neutral-colored walls, stove, sink, dishwasher, microwave, refrigerator in kitchen area, washer, dryer, individual thermostatic control for heating and air conditioning, pre-wiring for telephone jacks and pre-wiring for a TV outlet.

(1) Cottages.

The following benefits and services are available for the Monthly Service Fee to all residents residing in continuing care independent living cottages:

- Garage or covered parking and parking space;
- General supervision and maintenance of buildings, grounds, and equipment;
- Insurance of building, grounds and equipment;
- Maintenance, repairs and/or replacement of furnished appliances;
- Trash removal;
- Snow removal and lawn maintenance;
- Water and sewer services;
- Administrative management and services;
- Property tax; and
- Use of all public rooms and common areas.

(2) Apartments.

The following benefits and services are available for the Monthly Service Fee to all residents residing in continuing care independent living apartments:

- Parking space;
- General supervision and maintenance of buildings, grounds, and equipment;
- Insurance of building, grounds and equipment;
- Maintenance, repairs and/or replacement of furnished appliances;
- Trash removal;
- Snow removal and lawn maintenance;
- Water, sewer, electric and gas;
- Administrative management and services;
- Property tax;
- Individual mailboxes;
- Use of all public rooms and common areas; and
- Meal plan.

Residents in the Lodge apartments also receive internet, basic cable television services, housekeeping once per month and one meal per day. Residents in cottages will receive housekeeping once per month.

B. Additional Services.

Services or items not listed above are not included as part of the services and items received under the Monthly Service Fee. The following services are available to residents of Friends House for purchase at additional cost on an individual basis:

- Housekeeping or additional housekeeping services;
- Cable television;
- Meals, (above meal plan allowances) dining room meals or carry-out, including delivery of meals;
- Off-campus transportation services;
- Scheduled routine nursing services (i.e. blood pressure checks);
- Physical, speech and occupational therapy;
- Copier use;
- Beauty shop services; and
- Additional maintenance and/or grounds services.

25. Health Related Services.

A. Assisted Living and Skilled Nursing Care

If a resident relocates to an assisted living apartment or to a skilled nursing care unit on a temporary basis, the resident will sign another agreement and pay the Monthly Service Fee for the independent living accommodation in addition to the Monthly Service Fee or Daily Rate for the new accommodation and for any additional services that are required. If the resident transfers on a permanent basis to an assisted living apartment or skilled nursing care unit, the resident will enter into an additional agreement for the type of accommodation that he or she is entering, be responsible for the Monthly Service Fee or Daily Rate for the new accommodation and for any additional services that are required, and will release the independent living cottage or apartment.

(1) Assisted Living

The Monthly Service Fee for assisted living includes the cost of room, board, assisted living care (except for itemized charges), emergency call and response, bathing and grooming supplies, personal laundry, linen and bedding service and use of walkers and other assistive devices as needed.

Some of the items and services available in assisted living are not included in the Monthly Service Fee and are listed below. Residents are notified of items charged at an additional rate.

- Supplies and care related to specialized services provided in addition to the Monthly Service Fee
- Laboratory services
- Oxygen services
- Radiology services
- Physician services
- Medications
- Medical equipment and supplies
- Dental and other specialized physician services
- Beautician and barber services

- Transportation services
- Private television and cable
- Private telephone; and
- Physical, speech and occupational therapy services.

(2) Skilled Nursing Care

The Provider participates in the Medicare and Medicaid programs. The items and services included in the Daily Rate for nursing care include room, board, nursing care (except of itemized charges), emergency call and response, bathing and grooming supplies, personal laundry, linen and bedding service, social services, and use of walkers and other assistive devices as needed.

Some of the items and services available in skilled nursing care are not included in the Daily Rate and are listed below. Residents are notified of items charged at an additional rate.

- Supplies and care related to specialized services provided in addition to the Daily Rate such as catheter care, decubitus care, tube feeding, etc.
- Laboratory services
- Oxygen services
- Radiology services
- Physician services
- Medications
- Medical equipment and supplies
- Dental and other specialized physician services
- Beautician and barber services
- Transportation services
- Private television and cable
- Private telephone and
- Physical, speech and occupational therapy services

26. Amendment of Disclosure Statement.

The Provider will amend promptly this Disclosure Statement, if, at any time, the Provider or the Maryland Department of Aging is of the opinion that an amendment is necessary to prevent the Disclosure Statement from containing any material misstatement of fact required by this regulation to be stated in the Disclosure Statement or omission of a material fact required by this regulation to be stated in the Disclosure Statement.

27. Renovation, Expansion or New Development.

The following projects listed below have been approved by the Maryland Department of Aging:

- Expansion: New Cottage Duplex - build six new cottages (three duplex homes)
- Renovations: Existing Apartment Combinations – combine 30 existing smaller apartments into 13 refreshed modest apartments

Each project intends to offer market-rate priced, fee-for-service, entrance fee senior housing consistent with the existing Master Plan, to meet a market need and to enhance the financial viability of the Community.

Friends House Retirement Community applied to increase its licensure for independent living by 19 units to 105 from 86.

Expansion: New Cottage Duplex Project

The current plan constructs six new Oak (2 bedroom and den) cottages with the same footprint and general layout as previous recently constructed Oak cottages. Construction on this project began in September, 2022

Renovation: Existing Apartment Combination

Administration is pursuing refreshing and renovating sections of the existing “D Wing” and “New C Wing” apartment buildings. The D Wing is an existing single story, double loaded corridor, “T-shaped” building built in 1967 with a common core area in the center of the “T” with resident apartments extending out each wing. Twenty apartments (10 one-bedroom and 10 studio) will be combined into 10 one-bedroom/den apartments. The New C Wing is an existing single story, single-loaded corridor, lineal building built in the mid-1970s and connects to the one hallway of the D Wing. Five apartments (2 one-bedroom and 3 Studio) will be combined into 2 two-bedroom apartments; one Studio will be refreshed as is. Renovations described above will commence when permits are received from Montgomery County Department of Public Works.

28. No Surcharge.

Friends House does not currently impose a surcharge on any residents.

29 Existence of Resident Association

See number 14 above.

30. Grievance Procedure.

Friends House has established an internal Grievance Procedure that is documented in the Resident Handbook. The Resident Handbook states the following:

Friends House Retirement Community encourages all residents, individuals or groups, to express their grievances and suggestions for improvement in policies and services. A resident or group of residents collectively may submit a grievance in writing to:

CEO
Friends House Retirement Community
17340 Quaker Lane
Sandy Spring, MD 20860

Friends House will send a written acknowledgement to the resident or group of residents within five (5) days after receipt of the written grievance. Friends House will assign personnel to investigate the grievance. A resident or group of residents who file a written grievance are entitled to a meeting with the management of Friends House within thirty (30) days after receipt of the written grievance, in order to present the grievance. Friends House will provide a response in writing.

Within forty-five (45) days after receipt of the written grievance, the CEO will provide a written response as to the investigation and resolution of the grievance.

Within thirty (30) days after Friends House provides its response to a grievance, a resident, group of residents or Friends House may seek mediation through one of the Community Mediation Centers in the State of Maryland or through another mediation provider. If a resident, group of residents or Friends House seeks mediation under the preceding sentence, the mediation shall be nonbinding and Friends House and the resident or group of residents may be represented by counsel.

31. Any Other Material Information

None

Exhibits/Addendums

- Exhibit A - Organizational Chart
- Exhibit B - Members of the Governing Body
- Exhibit G - Financial Information
 - Exhibit G-1 - Certified Financial Statement
 - Exhibit G-2 - Operating Budget
 - Exhibit G-3 - Cash Flow Projection
 - Exhibit G-4 - Operating Reserves
 - Exhibit G-5 - CCAC-CARF Ratios for 2019
- Exhibit I - Fees for Current and Previous 5 Years and Fees for New Units
- Exhibit J - Advertisement & Other Promotional Materials
- Exhibit L - Date of Annual Meeting
- Exhibit M - Update of Renovation or Expansion Activities
- Exhibit N - Subscribers and Life Expectancy of Subscribers
- Addendum 1 - Ancillary Charges

Exhibit B
Members of the Board of Directors
As of September 2022

CITRO, Jim
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Director

EATON, Jade (Rec. Clerk)
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Attorney

FARQUHAR, Judith (Alt.
Recording Clerk)
17340 Quaker Lane
Sandy Spring MD 20860
301-924-5100
Resident

FOSKETT, William "Bill"
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired

GIBIAN, Barbara (Clerk)
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired

GIBIAN, Tom
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Educator

GREENE, Charles
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Attorney

HINES, John
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Executive Director

JONES, David
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Marketing Professional

MCKAY, Hunter
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Project Manager

NEWTON, Jennifer Bell
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Business Manager

PORTEEE, Laurita (Clerk)
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Insurance Representative

SCHAUFFLER, William "Bim"
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Educator

WILLSON, Elizabeth
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Healthcare Services

*Friends House Seniors Associat
Representatives*
Joe Rockey, President
Susan Griffin, Vice President

EXHIBIT G: FINANCIAL INFORMATION
(Attached)

**FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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Independent Auditor's Report

To the Board of Directors
Friends House Retirement Community, Inc.

Opinion

We have audited the accompanying financial statements of Friends House Retirement Community, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of operations and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends House Retirement Community, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 Friends House Retirement Community, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends House Retirement Community, Inc.'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.

Gross, Mendelson & Associates, P.A.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 400,042	\$ 1,000,420
Accounts receivable, net of allowance for doubtful accounts of (2023 - \$766,000 and 2022 - \$821,000)	1,212,762	1,102,238
Investments, current	5,133,119	5,906,805
Accrued investment income	17,238	11,960
Due from third-party payor, net	36,370	35,855
Other receivables	7,114	9,842
Prepaid expenses	167,101	181,846
Total Current Assets	<u>6,973,746</u>	<u>8,248,966</u>
Property, net of accumulated depreciation	<u>38,031,052</u>	<u>35,789,655</u>
Other Assets		
Cash and cash equivalents, restricted, operating reserve	1,688,600	1,660,800
Investments, restricted, operating reserve	1,411,900	-0-
Investments, limited as to use	2,094,926	2,965,800
Operating lease right-of-use assets	35,127	-0-
Total Other Assets	<u>5,230,553</u>	<u>4,626,600</u>
Total Assets	<u>\$ 50,235,351</u>	<u>\$ 48,665,221</u>

	<u>2023</u>	<u>2022</u>
Liabilities And Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,671,629	\$ 1,546,579
Resident refunds payable	1,920	442,800
Contract liabilities	160,521	-0-
Deferred revenue	-0-	35,860
Current maturities of operating lease liabilities	14,329	-0-
Current maturities of long-term debt	367,318	323,590
Current portion of deferred entrance fees	1,060,691	1,072,274
Total Current Liabilities	<u>3,276,408</u>	<u>3,421,103</u>
Non-Current Liabilities		
Application fees payable	74,700	75,200
Refundable deposits	533,070	520,000
Operating lease liabilities, net of current maturities	20,798	-0-
Long-term debt, net of current maturities	21,511,544	19,139,160
Deferred entrance fees, net of current portion	7,105,278	7,825,662
Refundable entrance fees	5,228,302	4,019,516
Total Non-Current Liabilities	<u>34,473,692</u>	<u>31,579,538</u>
Total Liabilities	<u>37,750,100</u>	<u>35,000,641</u>
Commitments and Contingencies (Notes 7, 8, 9, 12 and 14)		
Net Assets		
Without donor restrictions	11,824,183	12,995,604
With donor restrictions	661,068	668,976
Total Net Assets	<u>12,485,251</u>	<u>13,664,580</u>
Total Liabilities and Net Assets	<u>\$ 50,235,351</u>	<u>\$ 48,665,221</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Statements of Operations and Changes in Net Assets
Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Health care services	\$ 8,288,204	\$ -0-	\$ 8,288,204
Assisted living services	1,212,745	-0-	1,212,745
Independent living services	2,635,829	-0-	2,635,829
	<u>12,136,778</u>	<u>-0-</u>	<u>12,136,778</u>
Retail sales and services	163,979	-0-	163,979
Amortization of entrance fees	1,082,893	-0-	1,082,893
Government grants - federal	-0-	-0-	-0-
Government grants - state	287,648	-0-	287,648
Contributions	98,048	92,758	190,806
Net investment return	209,994	-0-	209,994
Other revenue	197,545	-0-	197,545
Net assets released from restrictions			
Satisfaction of program restrictions	100,666	(100,666)	-0-
	<u>2,140,773</u>	<u>(7,908)</u>	<u>2,132,865</u>
 Total Support and Revenue	 <u>14,277,551</u>	 <u>(7,908)</u>	 <u>14,269,643</u>
Operating Expenses			
Program services	13,606,750	-0-	13,606,750
Supporting services			
Management and general	2,033,506	-0-	2,033,506
Fundraising	296,668	-0-	296,668
Total Expenses	<u>15,936,924</u>	<u>-0-</u>	<u>15,936,924</u>
Income (Loss) from Operations	(1,659,373)	(7,908)	(1,667,281)
Other Income (Loss)			
Unrealized gains (losses) on investments	487,952	-0-	487,952
Change in Net Assets	(1,171,421)	(7,908)	(1,179,329)
Net Assets at Beginning of Year	12,995,604	668,976	13,664,580
Net Assets at End of Year	<u>\$ 11,824,183</u>	<u>\$ 661,068</u>	<u>\$ 12,485,251</u>

2022

Without Donor Restrictions	With Donor Restrictions	Total
\$ 8,405,846	\$ -0-	\$ 8,405,846
1,300,912	-0-	1,300,912
2,401,993	-0-	2,401,993
<u>12,108,751</u>	<u>-0-</u>	<u>12,108,751</u>
184,202	-0-	184,202
1,040,899	-0-	1,040,899
1,117,780	-0-	1,117,780
300,000	-0-	300,000
147,461	99,038	246,499
295,481	-0-	295,481
155,558	-0-	155,558
94,658	(94,658)	-0-
<u>3,336,039</u>	<u>4,380</u>	<u>3,340,419</u>
<u>15,444,790</u>	<u>4,380</u>	<u>15,449,170</u>
12,832,125	-0-	12,832,125
1,980,967	-0-	1,980,967
188,760	-0-	188,760
<u>15,001,852</u>	<u>-0-</u>	<u>15,001,852</u>
442,938	4,380	447,318
<u>(1,108,349)</u>	<u>-0-</u>	<u>(1,108,349)</u>
(665,411)	4,380	(661,031)
<u>13,661,015</u>	<u>664,596</u>	<u>14,325,611</u>
<u>\$ 12,995,604</u>	<u>\$ 668,976</u>	<u>\$ 13,664,580</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Statements of Functional Expenses
Years Ended June 30, 2023 and 2022

	2023			
	Program	Management and General	Fundraising	Total
Personnel expenses				
Salaries	\$ 5,287,417	\$ 810,363	\$ 92,020	\$ 6,189,800
Payroll taxes	414,549	58,963	6,180	479,692
Pension	121,407	30,119	4,639	156,165
Benefits	307,440	50,040	16,743	374,223
Total personnel expenses	<u>6,130,813</u>	<u>949,485</u>	<u>119,582</u>	<u>7,199,880</u>
Contract services	2,030,681	57	-0-	2,030,738
Depreciation	1,425,219	212,997	-0-	1,638,216
Interest	1,046,435	156,388	-0-	1,202,823
Supplies	493,269	43,935	3,137	540,341
Food	486,888	2,058	-0-	488,946
Repairs and maintenance	424,521	61,190	-0-	485,711
Utilities	402,083	60,091	-0-	462,174
Consultants	125,445	262,795	53,097	441,337
Insurance	238,518	35,646	-0-	274,164
Information technology	197,469	28,032	-0-	225,501
Provision for (recovery of) bad debts	237,493	-0-	-0-	237,493
Telephone	134,684	21,348	-0-	156,032
Advertising and marketing	5,466	23,371	114,453	143,290
Real estate taxes	110,093	16,453	-0-	126,546
Equipment rental	50,554	19,554	-0-	70,108
Professional fees	-0-	53,311	-0-	53,311
Dues and subscriptions	20,790	21,389	199	42,378
Payroll processing fees	23,596	3,526	-0-	27,122
Special events	8,528	16,192	64	24,784
Licenses	7,910	9,350	-0-	17,260
Bank charges	-0-	10,513	512	11,025
Travel	1,802	7,289	1,460	10,551
Meals and entertainment	1,019	2,653	368	4,040
Printing	1,010	-0-	-0-	1,010
Dietary services	-0-	-0-	-0-	-0-
Miscellaneous	2,464	15,883	3,796	22,143
Total Expenses	<u>\$ 13,606,750</u>	<u>\$ 2,033,506</u>	<u>\$ 296,668</u>	<u>\$ 15,936,924</u>

2022

Program	Management and General	Fundraising	Total
\$ 4,327,330	\$ 862,055	\$ 94,115	\$ 5,283,500
348,081	65,008	6,506	419,595
153,598	23,073	4,499	181,170
235,299	85,319	14,680	335,298
<u>5,064,308</u>	<u>1,035,455</u>	<u>119,800</u>	<u>6,219,563</u>
1,863,751	161	-0-	1,863,912
1,374,765	214,842	-0-	1,589,607
873,742	136,544	-0-	1,010,286
697,058	46,686	1,869	745,613
293,988	-0-	-0-	293,988
351,904	54,655	-0-	406,559
432,994	67,666	-0-	500,660
224,631	138,880	41,172	404,683
211,114	32,992	-0-	244,106
184,292	24,299	-0-	208,591
(26,186)	-0-	-0-	(26,186)
123,957	20,101	-0-	144,058
54,149	9,265	16,540	79,954
105,215	16,443	764	122,422
33,058	16,673	-0-	49,731
2,750	66,575	-0-	69,325
7,391	26,183	-0-	33,574
25,027	3,911	-0-	28,938
1,969	3,264	1,247	6,480
11,021	4,845	-0-	15,866
-0-	13,625	441	14,066
287	5,862	-0-	6,149
624	14,434	103	15,161
109	4,436	2,024	6,569
913,162	-0-	-0-	913,162
7,045	23,170	4,800	35,015
<u>\$ 12,832,125</u>	<u>\$ 1,980,967</u>	<u>\$ 188,760</u>	<u>\$ 15,001,852</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,179,329)	\$ (661,031)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for (recovery of) bad debts	237,493	(26,186)
Unrealized losses (gains) on investments	(487,952)	1,108,349
Realized gains on investments	(88,154)	(200,040)
Depreciation	1,638,216	1,589,607
Amortization of entrance fees	(1,082,893)	(1,040,899)
Non-cash interest expense, net	51,131	34,177
Changes in operating assets and liabilities:		
Accounts receivable	(348,017)	(421,721)
Accrued investment income	(5,278)	(807)
Due from third-party payor, net	(515)	(15,950)
Other receivables	2,728	(9,842)
Prepaid expenses	14,745	142,438
Operating lease right-of-use assets	13,926	-0-
Other deposits	-0-	19,105
Accounts payable and accrued expenses	(46,432)	(100,682)
Resident refunds payable	(440,880)	434,855
Contract liabilities	160,521	-0-
Deferred revenue	(35,860)	12,527
Application fees payable	(500)	800
Operating lease liabilities	(13,926)	-0-
Deferred revenue, non-current	-0-	(1,117,780)
Net Cash Used in Operating Activities	<u>(1,610,976)</u>	<u>(253,080)</u>
Cash Flows from Investing Activities		
Purchase of investments	(925,123)	(1,537,865)
Proceeds from sales of investments	1,733,889	932,359
Purchase of property	(968,435)	(925,711)
Net Cash Used in Investing Activities	<u>(159,669)</u>	<u>(1,531,217)</u>
Cash Flows from Financing Activities		
Receipts of refundable deposits	13,070	512,383
Refundable entrance fees received	1,838,352	2,178,306
Payments of refundable entrance fees	(278,640)	(987,708)
Proceeds from long-term debt	-0-	3,000,000
Principal payments on long-term debt	(374,715)	(3,000,000)
Payments for deferred financing costs	-0-	(78,423)
Net Cash Provided by Financing Activities	<u>1,198,067</u>	<u>1,624,558</u>
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(572,578)	(159,739)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	2,661,220	2,820,959
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 2,088,642</u>	<u>\$ 2,661,220</u>

	<u>2023</u>	<u>2022</u>
Reconciliation to Cash, Cash Equivalents and Restricted Cash on Statements of Financial Position		
Cash and cash equivalents	\$ 400,042	\$ 1,000,420
Cash and cash equivalents, restricted, operating reserve	<u>1,688,600</u>	<u>1,660,800</u>
Cash, Cash Equivalents, and Restricted Cash on the Statements of Cash Flows	<u>\$ 2,088,642</u>	<u>\$ 2,661,220</u>
 Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amount capitalized and amortization of the bond premium	<u>\$ 1,202,823</u>	<u>\$ 1,010,286</u>
Operating cash flows for amounts paid included in the measurement of lease liabilities	<u>\$ 15,109</u>	<u>\$ -0-</u>
Noncash Operating Activities:		
Right-of-use assets and lease liabilities acquired under operating leases	<u>\$ 49,053</u>	<u>\$ -0-</u>
Noncash Investing and Financing Activities:		
Purchase of property	\$ 3,879,613	\$ 925,711
Change in property-related accounts payable	(171,482)	-0-
Proceeds from long-term debt	<u>(2,739,696)</u>	<u>-0-</u>
Cash paid for acquisition of property (included in cash flows from investing activities)	<u>\$ 968,435</u>	<u>\$ 925,711</u>
Deferred financing costs	\$ -0-	\$ 254,245
Less: Amount included in long-term debt	<u>-0-</u>	<u>(175,822)</u>
Cash paid for deferred financing costs (included in cash flows from financing activities)	<u>\$ -0-</u>	<u>\$ 78,423</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

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

Friends House Retirement Community, Inc. (the Community) is a certified continuing care retirement community located in Sandy Spring, Maryland, a suburb of Washington, D.C. The Community provides housing and other related services as a full-service retirement community consisting of 75 apartments and 30 cottages. The apartments and cottages provide independent living and offer the benefits of a full-service retirement community. The Community also provides long-term healthcare services and currently is licensed and equipped for 82 comprehensive care beds and 24 assisted-living beds. The Community was incorporated under the laws of the State of Maryland on July 10, 1968.

The accounting and reporting policies of the Community conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Community classifies all investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents. Cash and cash equivalents held by investment custodians are not included in cash and cash equivalents but rather are treated as investments.

Resident Accounts Receivable and Allowance for Doubtful Accounts: Resident accounts receivables arise from services rendered to residents which are billed either to the residents, insurance companies or to government agencies and are carried at original invoice amount less an estimate made for doubtful receivables. The Community uses the allowance method for estimating uncollectible accounts based upon a review of its outstanding receivables and its historical collection experience with individual accounts and payor sources. Receivables are written off by management when, in their determination, all collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was \$766,000 and \$821,000 as of June 30, 2023 and 2022, respectively.

Investments: Investments in marketable securities with readily determinable fair values are reported at fair value in the statements of financial position. Investments whose fair values are not readily determinable are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses on investments for the year are reported in the statements of operations and changes in net assets as part of net investment return.

Property and Depreciation: Property is recorded at cost or, if donated, at fair value at the date of gift, less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. The Community capitalizes property acquisitions in excess of \$1,000 having an estimated useful life of three years or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Furniture, fixtures and equipment	3 - 40 years
Vehicles	5 years
Software	3 years

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Deferred Financing Costs and Bond Premium: Deferred financing costs represent costs incurred to secure bond financing (Note 8) which are being amortized over the life of the debt instrument, utilizing the straight-line method, and charged to interest expense. Under Generally Accepted Accounting Principles (GAAP), debt issuance costs related to the recognized debt liability are required to be presented in the statements of financial position as a direct reduction from the carrying amount of the debt liability. Deferred financing costs as of June 30, 2023 and 2022 are as follows:

	2023	2022
Deferred financing costs	\$ 1,282,400	\$ 1,282,400
Less: Accumulated amortization	216,498	148,327
	<u>\$ 1,065,902</u>	<u>\$ 1,134,073</u>

Bond premium represents proceeds in excess of the stated par value of the bonds which are being amortized over the life of the debt instrument, utilizing the straight-line method, and charged to interest income. Under GAAP, bond premiums related to the recognized debt liability are required to be presented in the statements of financial position as a direct reduction from the carrying value of the debt liability. Bond premium as of June 30, 2023 and 2022 are as follows:

	2023	2022
Bond premium	\$ 511,340	\$ 511,340
Less: Accumulated amortization	82,379	65,339
	<u>\$ 428,961</u>	<u>\$ 446,001</u>

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

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: The Community generates contract revenue primarily by providing healthcare, assisted living care and independent living services to residents within its community. Revenue is recognized when control of the promised good or service is transferred to a resident, in an amount that reflects the consideration to which the Community expects to be entitled from residents, third-party payors (including government programs and insurers) and others, in exchange for those goods and services.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Performance obligations are determined based on the nature of the services provided. The majority of the Community's healthcare services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation satisfied over time as services are rendered. The Community also provides certain ancillary services which are not included in the bundle of services, and as such, are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered. The Community also provides independent living services which also represent a bundle of services that are not capable of being distinct and therefore are treated as a single performance obligation satisfied over time as services are rendered. Retail sales and services are treated as a single performance obligation at a point in time as goods and services are rendered. The Community determines the transaction price for each type of service based on contractually agreed-upon amounts or rates. Net resident health care service revenue is recorded at net realizable amounts from residents and third-party payors for services rendered.

The Community disaggregates its revenue from contracts with residents and others as follows:

	2023	2022
Performance obligations satisfied over time:		
Resident service revenue - health services	\$ 8,024,142	\$ 8,045,131
Resident service revenue - assisted living	1,211,118	1,257,295
Resident service revenue - independent living	2,635,760	2,400,656
Amortization of entrance fees	1,082,893	1,040,899
Performance obligations satisfied at a point in time:		
Resident service revenue, ancillaries - health services	264,062	360,715
Resident service revenue, ancillaries - assisted living	1,627	43,617
Resident service revenue, ancillaries - independent living	69	1,337
Retail sales and services	163,979	184,202
	<u>\$ 13,383,650</u>	<u>\$ 13,333,852</u>

The Community disaggregates revenue from contracts with residents by payor type (private or third-party reimbursement). The Community notes that this disaggregation of revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The payment terms and conditions with the Community's revenue-generating contracts vary by payor source (see Note 14). Approximately 58.3% and 55.2% of the Community's nursing care revenue for the years ended June 30, 2023 and 2022, respectively, was derived under third-party reimbursement programs.

The Community recognizes revenue in the statements of operations and changes in net assets and contract assets on the statements of financial position only when services have been provided. Since the Community has performed its obligation under the contract, it has unconditional rights to the consideration recorded as contract assets and therefore classifies those billed and unbilled contract assets as accounts receivable.

Payments that the Community receives from residents and others in advance of providing services represent contract liabilities. Such payments primarily relate to private pay patients and residents, which are billed monthly in advance.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Community assesses an entrance fee for its independent living units. A portion of the entrance fee paid by a resident upon entering into an independent living unit contract is refundable upon the resident's death or discharge based on the terms of the resident contract. The refundable portion of the entrance fee is not affected by the amount assessed for future entrance fees.

Refundable entrance fees are recorded in the accompanying statements of financial position as non-current liabilities. The nonrefundable entrance fees are classified as deferred entrance fees and are recognized as revenue on a straight-line basis over each individual resident's life expectancy (based on actuarial assumptions of the life expectancy of the residents in a continuing care retirement community).

The gross contractual liability for the refundable portion of entrance fees of the independent living unit contracts as of June 30, 2023 and 2022 was \$5,228,302 and \$4,019,516, respectively.

The Community also receives revenue from grants, contributions, net investment return, and other revenue. Conditional promises to give and grants are not recognized until the conditions on which they depend have been substantially met, are earned and/or the service is provided. Contributions, including unconditional promises to give, are recognized as revenue when received. Net investment return and other revenue is recognized as revenue in the period they are earned.

Contributions: Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified to net assets without restrictions in the statements of operations and changes in net assets.

Advertising: Advertising costs are charged to operations when incurred. The Community has no significant direct-response advertising. Advertising expense for the years ended June 30, 2023 and 2022 was \$143,290 and \$79,954, respectively, and is included in advertising and marketing on the statements of functional expenses.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates such as time and effort or other criteria.

Income Taxes: The Community is exempt from federal and state income taxes under IRC §501(c)(3). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Community had no unrelated business income for the years ended June 30, 2023 and 2022. Accordingly, no provision for income taxes is reflected in these financial statements. The Community's respective federal exempt organization tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Standard: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842) which was effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-of-use (ROU) asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including any payments to be made in lease option periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The ROU assets will be amortized over the term of the lease and the lease liability will be reduced by lease payments. The Community has adopted the new lease standard effective as of July 1, 2022.

The Community evaluates each contract and determines if an arrangement contains a lease at the inception of a contract. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage are not included in the ROU assets or lease liabilities. These are expensed as incurred. The Community has elected not to record short-term leases with initial contract terms of 12 months or less on the statements of financial position. The Community has elected to use the risk-free rate to discount the lease payments for all classes of ROU assets.

As part of the adoption of the new lease standard, the Community has elected the following practical expedients: a) the Community has not reevaluated expiring or existing leases to determine lease classification, b) the Community has not reevaluated whether expired or existing contracts are or contain a lease and c) the Community has not reassessed initial direct costs for an existing lease.

Recently Issued Accounting Pronouncement: The FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (ASC 326) which is effective for fiscal years beginning after December 15, 2022. This ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable reportable forecasts. The new guidance affects trade receivables and any other financial asset not excluded from the scope that have the contractual right to receive cash. The Community has elected not to early this standard and will assess the future impact of credit losses on the financial statements.

Reclassifications: Certain amounts previously reported in the 2023 financial statements have been reclassified to conform to the financial statement presentation for the year ended June 30, 2022.

Subsequent Events: In preparing these financial statements, the Community has evaluated events and transactions for potential recognition or disclosure through October 30, 2023, the date the financial statements were available to be issued. During the period July 1, 2023 through October 30, 2023, the Community did not have any material recognizable subsequent events.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 400,042	\$ 1,000,420
Accounts receivable, net	1,212,762	1,102,238
Investments, current	5,133,119	5,906,805
Accrued investment income	17,238	11,960
Due from third-party payor, net	36,370	35,855
Other receivables	7,114	9,842
Less: Net assets with donor restrictions	<u>(661,068)</u>	<u>(668,976)</u>
Financial Assets Available for General Expenditure	<u>\$ 6,145,577</u>	<u>\$ 7,398,144</u>

As part of the Community's liquidity management plans, the Community invests cash in excess of daily requirements in short-term investments. Additionally, the Community has available a line of credit in the amount \$250,000, which it could draw upon to help manage unanticipated liquidity needs.

Note 3: Due from Third-Party Payor

The amounts due from third-party payor represents the estimated amounts due from the Medicare program for settlement of cost reports which may not have been verified or final settled as of June 30, 2023. As of June 30, 2023, the Medicare cost report for the year ended June 30, 2023, is subject to verification, leading to final settlement. The Medicare receivable is related to the bad debt write-offs of uncollectible Medicaid coinsurance amounts, less any interim payments received during the years ended June 30, 2023 and 2022, respectively.

The components of the amounts due from the third-party payor as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Estimated cost report settlements		
Medicare		
Year ended June 30, 2023 (estimated)	\$ 36,370	\$ -0-
Year ended June 30, 2022 (final)	-0-	35,855
Due from third-party payor, net	<u>\$ 36,370</u>	<u>\$ 35,855</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 4: Investments

A summary of the investment portfolio, at fair value, is as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Common stock	\$ 4,581,099	\$ 4,028,944
Certificate of deposit	1,575,082	1,528,408
Corporate bonds and notes	1,321,174	1,353,621
Cash and cash equivalents	634,664	1,506,894
U.S. government obligations	445,720	371,218
Real estate investment trust (REIT)	42,586	43,706
Municipal bonds	39,620	39,814
	<hr/>	<hr/>
Total Investments	8,639,945	8,872,605
Investments classified as long-term:		
Investments, restricted, operating reserve	1,411,900	-0-
Investments, limited as to use		
Debt service reserve fund	1,575,082	1,528,408
Resident escrow fund	-0-	918,823
Bond sinking fund	519,844	518,569
	<hr/>	<hr/>
Investments, long-term portion	3,506,826	2,965,800
	<hr/>	<hr/>
Investments, current portion	<u>\$ 5,133,119</u>	<u>\$ 5,906,805</u>

The following schedule summarizes the net investment income (loss) for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 158,381	\$ 135,645
Net realized gains	88,154	200,040
Investment fees	(36,541)	(40,204)
	<hr/>	<hr/>
Net investment return	209,994	295,481
Net unrealized gains (losses)	487,952	(1,108,349)
	<hr/>	<hr/>
Total investment income (loss)	<u>\$ 697,946</u>	<u>\$ (812,868)</u>

Note 5: Fair Value Measurement

GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 5: Fair Value Measurement (Continued)

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Community include the following:

Cash and Cash Equivalents and Certificate of Deposit: Valued at original cost, which equals fair value.

Common Stock and Real Estate Investment Trust (REIT): Valued at the last sales price reported on the active market in which the individual security is traded.

Corporate Bonds and Notes, U.S Government Obligations, and Municipal Bonds: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

In determining the appropriate levels, the Community performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The table below represents the balances of assets as of June 30, 2023 measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Common stock	\$ 4,581,099	\$ 4,581,099	\$ -0-	\$ -0-
Certificate of deposit	1,575,082	-0-	1,575,082	-0-
Corporate bonds and notes	1,321,174	-0-	1,321,174	-0-
Cash and cash equivalents	634,664	634,664	-0-	-0-
U.S. government obligations	445,720	-0-	445,720	-0-
Real estate investment trust (REIT)	42,586	42,586	-0-	-0-
Municipal bonds	39,620	-0-	39,620	-0-
Total	\$ 8,639,945	\$ 5,258,349	\$ 3,381,596	\$ -0-

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 5: Fair Value Measurement (Continued)

The table below represents the balances of assets as of June 30, 2022 measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Common stock	\$ 4,028,944	\$ 4,028,944	\$ -0-	\$ -0-
Certificate of deposit	1,528,408	-0-	1,528,408	-0-
Cash and cash equivalents	1,506,894	1,506,894	-0-	-0-
Corporate bonds and notes	1,353,621	-0-	1,353,621	-0-
U.S. government obligations	371,218	-0-	371,218	-0-
Real estate investment trust (REIT)	43,706	43,706	-0-	-0-
Municipal bonds	39,814	-0-	39,814	-0-
Total	<u>\$ 8,872,605</u>	<u>\$ 5,579,544</u>	<u>\$ 3,293,061</u>	<u>\$ -0-</u>

Note 6: Property

Property at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Land	\$ 475,373	\$ 475,373
Land improvements	6,172,772	6,146,116
Buildings and improvements	39,509,994	39,212,734
Furniture, fixtures and equipment	5,098,581	4,989,892
Vehicles	182,001	182,001
Software	229,769	14,340
Construction in progress	3,562,175	330,596
Total cost	<u>55,230,665</u>	<u>51,351,052</u>
Less: Accumulated depreciation	<u>17,199,613</u>	<u>15,561,397</u>
	<u>\$ 38,031,052</u>	<u>\$ 35,789,655</u>

Note 7: Leases

The Community leases copier equipment under a lease agreement which expires in October 2025. Upon the adoption of ASC 842, the Community recorded a right-of-use asset of \$43,062, which is being amortized over the life of the lease and an off-setting lease liability of \$43,062 as of July 1, 2022. The Community also leases postage equipment under a lease agreement which expires in June 2026. Upon the adoption of ASC 842, the Community recorded a right-of-use asset of \$5,991 which is being amortized over the life of the lease and an off-setting lease liability of \$5,991 as of July 1, 2022.

While all lease agreements provide for minimum lease payments, some include variable payments which are primarily based on output of the underlying leased assets. Variable payments are not determinable at the lease commencement and not included in the measurement of the right-of-use assets and liabilities.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 7: Leases (Continued)

Total lease (rent) expense is included in equipment rental on the statements of functional expenses.

The Community's total lease expense for the year ended June 30, 2023 was as follows:

Short term lease costs	\$	54,049
Fixed lease costs		15,110
Variable lease costs		949
		<u> </u>
Total lease expense	\$	<u>70,108</u>

Prior to the adoption of ASC 842, the Community's total rent expense for the year ended June 30, 2022 was as follows:

Short-term rent costs	\$	33,973
Fixed rent costs		15,038
Variable lease costs		720
		<u> </u>
Total rent expense	\$	<u>49,731</u>

As of June 30, 2023, the right-of-use assets and operating lease liabilities related to operating leases were as follows:

Operating lease right-of-use assets	\$	<u>35,127</u>
Operating lease liabilities:		
Current maturities of operating lease liabilities	\$	14,329
Operating lease liabilities, net of current maturities		<u>20,798</u>
Total operating lease liabilities	\$	<u>35,127</u>

Other lease details are as follows:

Other information:		
Weighted average remaining lease term in years		2.43
Weighted average discount rate		2.86%

As of June 30, 2023, future minimum lease payments under operating leases are as follows:

Year ending June 30,		
2024	\$	15,109
2025		15,109
2026		<u>6,092</u>
Total		<u>36,310</u>
Less: Amount representing interest (2.86%)		<u>1,183</u>
Present value of future minimum lease payments	\$	<u>35,127</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 8: Long-Term Debt

Long-term debt consists of the following as of June 30, 2023 and 2022:

	2023	2022
Montgomery County, Maryland Economic Development Revenue Bonds (2018A); original issue of \$16,975,000; payable in varying annual redemptions beginning January 2030 through July 2048; interest payable semi-annually at fixed rates ranging from 5.00% to 5.375%. See additional terms of the bond below.	\$ 16,975,000	\$ 16,975,000
Orrstown Bank, term loan; original issue of \$3,000,000; payable with interest only payments through July 1, 2022; payable in varying monthly principal and interest payments of \$34,065 beginning August 1, 2022 though June 1, 2029; variable interest rate of 30-day average Secured Overnight Financing Rate (SOFR) plus 2.50% with 2.65% floor (7.57% and 3.59% at June 30, 2023 and 2022, respectively); expiring June 1, 2029. See additional terms of the note below.	2,625,284	3,000,000
Orrstown Bank, construction term loan; original issue of \$5,000,000 available through interest-only draw period expiring July 1, 2028; payable with varying principal and interest payments of \$40,198 beginning August 1, 2028 with required mandatory principal reduction of \$3,000,000 on or before December 1, 2024 paid from the proceeds of first generation entrance fees received from the construction project; variable interest rate of 30-day average SOFR plus 2.50% with 2.65% floor (7.57% and 3.59% at June 30, 2023 and 2022, respectively); expiring January 1, 2032. See additional terms of note below.	2,915,519	175,822
Total Long-Term Debt	22,515,803	20,150,822
Unamortized Debt Issuance Costs	(1,065,902)	(1,134,073)
Bond Premium	428,961	446,001
Total Long-Term Debt, Less Unamortized Debt Issuance Costs, Plus Bond Premium	21,878,862	19,462,750
Current Maturities	(367,318)	(323,590)
Long-Term Debt	\$ 21,511,544	\$ 19,139,160

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 8: Long-Term Debt (Continued)

The aggregate annual maturities of long-term debt, net of the annual amortization of deferred financing costs and the bond premium, subsequent to June 30, 2023 are as follows:

	Principal Payments	Deferred Financing Costs	Bond Premium	Total
Year ending June 30,				
2024	\$ 418,444	\$ (68,171)	\$ 17,045	\$ 367,318
2025	3,388,636	(68,171)	17,045	3,337,510
2026	520,443	(68,171)	17,045	469,317
2027	537,208	(68,171)	17,045	486,082
2028	551,624	(68,171)	17,045	500,498
Thereafter	17,099,448	(725,047)	343,736	16,718,137
Total	\$ 22,515,803	\$ (1,065,902)	\$ 428,961	\$ 21,878,862

The bonds and notes contain various financial covenants, which are subject to periodic review by the bank which the Community was in compliance with as of June 30, 2023 and 2022.

Series 2018 Bonds: On August 1, 2018, the Community issued Series A and B of 2018 Economic Development Revenue Bonds through Montgomery County, Maryland. The bonds were issued to fund the Community's capital renovation and expansion projects.

The Series 2018A bonds were issued with an original redemption value of \$16,975,000 and mature on July 1, 2033, July 1, 2039 and July 1, 2048. The bonds require semi-monthly interest payments with fixed rates of interest varying from 5.00% to 5.375% on January 1st and July 1st of each year until maturity. Annual principal payments on the bonds begin on January 1, 2030 and continue until July 1, 2048. The bonds require monthly bona fide debt service payments of \$74,050 as of June 30, 2023 and 2022. These payments are held and invested in a money market fund held by the trustee, Wilmington Trust, until payments are made to the bondholders semi-annually.

Deferred financing costs incurred as a result of issuing these bonds amounted to \$1,028,155 and are being amortized to interest expense using the straight-line method over the term of the bonds, which is not materially different than the effective interest rate method. Interest expense related to these fees was \$34,272 for each of the years ended June 30, 2023 and 2022. The Community received a bond premium of \$511,340 in relation to the redemption of the bonds which it is amortizing using the straight-line method over the term of the bonds and offsetting against the amortization of the deferred financing costs. Interest income related to this premium was \$17,040 and \$17,045 for the years ended June 30, 2023 and 2022, respectively.

Accumulated amortization of the deferred financing costs was \$165,649 and \$131,377 as of June 30, 2023 and 2022, respectively. Accumulated amortization of the bond premium was \$82,379 and \$65,339 as of June 30, 2023 and 2022, respectively.

The Series 2018B bonds were issued on a draw-down basis through periodic advances to the Community during the progression of the capital renovation and expansion projects and were for the original issue amount of \$13,200,000. The bonds required mandatory principal payments on August 31, 2019, 2020, and 2021 as defined in the agreement and were to expire on August 1, 2029. These initial fixed payments were initially payable from the release of the initial entrance fees received for the properties built during the renovation and expansion project, the release of which occurred as defined in the bond agreement.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 8: Long-Term Debt (Continued)

These entrance fees were held and invested in a cash and cash equivalent fund held by the trustee, Sandy Spring Trust, until payments were made to the bondholders. The bonds also required monthly interest at a variable interest rate. On December 16, 2021, the Community entered into a term loan agreement with Orrstown Bank, as noted below, and paid off the balance of the Series 2018B bonds in full.

Term Loan: On December 16, 2021, the Community entered into a term loan agreement with Orrstown Bank in the amount of \$3,000,000, the proceeds of which were used to pay off the balance of the Series 2018B bonds as noted above. The note bears interest at the 30-day average Secured Overnight Financing Rate (SOFR) plus 2.50% with a 2.65% floor (7.57% and 3.59% at June 30, 2023 and 2022, respectively) and expires on June 1, 2029. The note required monthly interest only payments through July 1, 2022. Beginning August 1, 2022, the note required variable monthly principal and interest payments (\$39,830 as of June 30, 2023). The note is secured by substantially all assets of the Community.

Deferred financing costs incurred as a result of issuing these bonds amounted to \$254,245 and are being amortized to interest expense using the straight-line method over the term of the note, which is not materially different than the effective interest rate method. Interest expense related to these fees was \$33,899 and \$16,950 for the years ended June 30, 2023 and 2022, respectively. Accumulated amortization of the total deferred financing costs was \$50,849 and \$16,950 as of June 30, 2023 and 2022, respectively.

Construction Term Loan: On December 16, 2021, the Community entered into a construction term loan agreement with Orrstown Bank in the amount of \$5,000,000, the proceeds of which will be used to fund future capital renovation and expansion projects. The note bears interest at the 30-day average Secured Overnight Financing Rate (SOFR) plus 2.50% with a 2.65% floor (7.57% and 3.59% at June 30, 2023 and 2022, respectively) and expires on January 1, 2032. The note allows for monthly draws through July 1, 2028 and requires monthly payments of interest only through July 1, 2028. Beginning August 1, 2028, the note requires variable principal and interest payments of \$40,198 and a required mandatory principal payment of \$3,000,000 on or before December 1, 2024 paid from the proceeds of first-generation entrance fees received from the capital renovation and expansion project. These entrance fees are to be held and invested in a cash and cash equivalent fund held by the trustee until payments are made to Orrstown Bank. The note is secured by substantially all assets of the Community.

Bond Sinking Fund: Total cash held and restricted by Wilmington Trust for the bond sinking fund was \$519,844 and \$518,569 at June 30, 2023 and 2022, respectively.

Resident Escrow Funds: Total cash held and restricted for the resident escrow funds was \$-0- and \$918,823 at June 30, 2023 and 2022, respectively. The resident escrow fund held by Sandy Spring Trust was released due to the payoff of the Series 2018B bonds and that resident escrow fund was closed in August of 2022. Subsequent to year end, the Community established a new resident escrow fund held by Orrstown Bank related to the Construction Term Loan.

Debt Service Reserve Fund: The Series 2018A bonds required the funding of a debt service fund in the amount of \$1,396,750. The debt service reserve fund is held in a certificate of deposit with PNC Bank, the value of which was \$1,575,082 and \$1,528,408 as of June 30, 2023 and 2022, respectively.

Interest Expense: Total interest expense on all long-term debt, net of amortization of the bond premium, was \$1,202,823 and \$1,010,286 for the years ended June 30, 2023 and 2022, respectively.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 9: Line of Credit

The Community has a line of credit agreement with Orrstown Bank in the amount of \$250,000. The line of credit bears interest at a variable interest rate based on the 30-day Secured Overnight Financing Rate (SOFR) (7.57% and 3.59% at June 30, 2023 and 2022, respectively). The line of credit is secured by substantially all assets of the Community and renews annually on December 16th, subject to review and approval by Orrstown Bank. There was no outstanding balance on the line of credit as of June 30, 2023 and 2022 and therefore, the Community did not incur any interest expense on the line of credit.

Note 10: Net Assets with Donor Restrictions

The Community has several restricted funds, which may be fully expended but only for the purpose established by the respective donors. Net assets with donor restrictions were available for the following purposes as of June 30, 2023:

	2022	Current Year Activity		2023
		Released From		
		Contributions	Restrictions	
Subject to expenditure for specific purposes:				
Resident assistance	\$ 268,298	\$ 54,102	\$ (3,797)	\$ 318,603
Building	211,000	258	(69,408)	141,850
Transportation	31,169	1,638	(805)	32,002
Employee crisis	9,062	20,800	-0-	29,862
Gazebo/Garden	26,579	14,835	(26,656)	14,758
Fitness fund	12,240	-0-	-0-	12,240
Education fund	11,667	-0-	-0-	11,667
Nursing home activities	10,755	-0-	-0-	10,755
Other programs	88,206	1,125	-0-	89,331
	<u>\$ 668,976</u>	<u>\$ 92,758</u>	<u>\$ (100,666)</u>	<u>\$ 661,068</u>

Net assets with donor restrictions were available for the following purposes as of June 30, 2022:

	2021	Prior Year Activity		2022
		Released From		
		Contributions	Restrictions	
Subject to expenditure for specific purposes:				
Resident assistance	\$ 284,627	\$ 8,810	\$ (25,139)	\$ 268,298
Building	211,000	-0-	-0-	211,000
Transportation	30,959	69,729	(69,519)	31,169
Gazebo/Garden	11,317	15,262	-0-	26,579
Fitness fund	12,240	-0-	-0-	12,240
Education fund	11,667	-0-	-0-	11,667
Nursing home activities	10,755	-0-	-0-	10,755
Employee crisis	9,062	-0-	-0-	9,062
Other programs	82,969	5,237	-0-	88,206
	<u>\$ 664,596</u>	<u>\$ 99,038</u>	<u>\$ (94,658)</u>	<u>\$ 668,976</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 11: Government Grants (Federal)

Paycheck Protection Program: The Community applied for and received funds in the amount of \$1,117,780 under the Paycheck Protection Program (PPP) which was created by the U.S. Federal Government as a result of the coronavirus pandemic. The proceeds were considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, were incurred during a 24-week period, commencing on the date of the loan agreement (April 10, 2020). Any portion of this loan that did not qualify for forgiveness was subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an eighteen-month period commencing on November 10, 2021 with a maturity date of April 10, 2022. However, the repayment of principal period was extended until 10 months after the end of the 24-week period. The Community applied for and received 100% forgiveness of the PPP loan on December 16, 2021, and therefore, this forgiveness was recognized as grant revenue during the year ended June 30, 2022.

Note 12: Commitments

Operating Reserve Requirement: The Maryland Department of Aging requires continuing care retirement communities to establish and fund an operating reserve equal to a specific percentage of annual operating expenses, measured as of the end of the prior year, exclusive of depreciation, amortization, and unusual and infrequent expenses (net operating expenses). Beginning January 1, 2023, the operating reserve requirement required 25% of the annual operating activities. Prior to January 1, 2023, the operating reserve requirement required 15% of annual operating activities. As of June 30, 2023 and 2022, the required reserve amounted to \$3,100,500 and \$1,660,800, respectively. The Community was in compliance with the required reserve amounts as of June 30, 2023 and 2022.

The following is the calculation of the operating reserve:

	2023	2022
Total expenses per financial statements (1)	\$ 15,001,852	\$ 13,618,273
Less depreciation expense (1)	(1,589,607)	(1,590,928)
Less interest expense (1)	(1,010,286)	(955,972)
Total annual operating expenses, net (1)	12,401,959	11,071,373
Required percentage	x 25%	x 15%
Operating reserve (rounded)	<u>\$ 3,100,500</u>	<u>\$ 1,660,800</u>

(1) Based on the previous year's operating expenses

The operating reserve is included in the following accounts as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents, restricted	\$ 1,688,600	\$ 1,660,800
Investments, restricted	1,411,900	-0-
Total operating reserve (rounded)	<u>\$ 3,100,500</u>	<u>\$ 1,660,800</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 12: Commitments (Continued)

Pension Plan: The Community has a defined contribution pension plan organized under IRC Section 401(k) covering substantially all employees. Under terms of the plan, participating employees can elect to contribute pre-tax and after-tax dollars up to the maximum limit established by the IRS for each calendar year. The Community may make discretionary matching contributions up to a maximum of 4% of eligible annual compensation to all employees. In addition, the Community makes safe harbor contributions to eligible employees in an amount equal to 3% of their eligible annual compensation. Total pension expense for the years ended June 30, 2023 and 2022 was \$156,165 and \$181,170, respectively.

Contracts: The Community has entered into two contracts for construction and renovation of units located on the Community's campus which will be funded by loan commitments and future entrance fees. The total amount of these contracts are approximately \$4,000,000. As of June 30, 2023, the Community as incurred costs under these contracts of approximately \$3,000,000.

Estimated Future Service Obligations: The Community was established to provide continuing care to qualified residents. GAAP requires that facilities with continuing care contracts evaluate and accrue any projected losses in their resident contracts. The Community has made the required calculations and concluded that as of June 30, 2023 and 2022, the present value of future cash flows exceeds the present value of the projected costs related to continuing care contracts. Accordingly, no accrual was required as of June 30, 2023 and 2022.

Note 13: Patient Cash Funds

The Community acts in an agency capacity regarding the holding of resident's cash funds. At June 30, 2023 and 2022, the Community was holding \$20,945 and \$14,692 in resident's funds, which have not been reflected in these financial statements.

Note 14: Certain Significant Risks and Uncertainties

Uninsured Balances: The Community maintains its cash balances at various financial institutions. Periodically during the year, the Community's cash balances may exceed federally insured limits. The Community has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Investment Risk: The Community invests in a professionally managed portfolio that may contain common stock, corporate bonds and notes, government obligations and other types of investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 14: Certain Significant Risks and Uncertainties (Continued)

Resident Service Revenue: The Community receives revenue from Medicare, Medicaid and private pay residents. The health care industry is continuing to experience the effects of the federal and state governments' trend toward cost containment, as government and other third-party payors seek to impose lower reimbursement and utilization rates and negotiate reduced payment schedules with providers. It is not possible to fully quantify the effect of recent legislation, the interpretation or administration of such legislation, or any other government initiatives on the Community's business. Accordingly, there can be no assurance that any future health care legislation will not adversely affect the Community's business. There can be no assurance that payments under government and private third-party payor programs will be timely, will remain at levels comparable to present levels, or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Community's financial position and change in net assets may be affected by the reimbursement process, which in the health care industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled.



Friends House Retirement Community, Inc.
Operating Budgets - Current and Succeeding Year
(Exhibit G-2)

	Year Ended June 30,		
	Approved	Proposed	Proposed
	2024	2025	2026
REVENUES			
Nursing Revenue	8,629,148	8,802,000	8,979,000
Assisted Living Revenue	1,385,991	1,414,000	1,443,000
Residential Revenue	2,790,202	2,930,000	3,077,000
Amortization of Entrance Fees	750,000	1,125,000	1,148,000
Other Operating Revenue	1,155,448	1,179,000	1,203,000
Interest and Dividends	83,835	86,000	88,000
Contributions	390,000	398,000	406,000
Net Assets Released From Restrictions	-	-	-
TOTAL REVENUES	<u>15,184,624</u>	<u>15,934,000</u>	<u>16,344,000</u>
EXPENSES			
Administration/General	2,120,281	2,163,000	2,207,000
Dietary/Food Services	1,205,337	1,230,000	1,255,000
Housekeeping and Laundry	766,092	782,000	798,000
Building and Maintenance	1,564,902	1,597,000	1,629,000
Recreation, Activities and Transportation	275,488	281,000	287,000
Nursing/Health Care	5,958,127	6,078,000	6,200,000
Assisted Living and Personal Services	296,634	303,000	310,000
Social and Community Services	209,177	214,000	219,000
Other Operating Expenses	66,499	68,000	70,000
Provision for Bad Debts	250,000	255,000	261,000
Depreciation	2,626,348	2,679,000	2,733,000
Amortization	48,786	50,000	51,000
Interest Expense	1,250,000	1,275,000	1,301,000
TOTAL EXPENSES	<u>16,637,671</u>	<u>16,975,000</u>	<u>17,321,000</u>
NET INCOME INCOME/(LOSS)	<u>(1,453,047)</u>	<u>(1,041,000)</u>	<u>(977,000)</u>

Friends House Retirement Community, Inc.
Cash Flow Projection - Current and Next Two Fiscal Years
(Exhibit G-3)

	Year Ended June 30,		
	2024	2025	2026
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income/(Loss)	(1,453,047)	(1,041,000)	(977,000)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation	2,626,348	2,679,000	2,733,000
Amortization of Bond Premium and Financing Costs	48,786	50,000	51,000
Nonrefundable Entrance Fees Received	4,440,000	1,240,000	710,000
Nonrefundable Entrance Fees Refunded	(444,000)	(222,000)	(111,000)
Amortization of Entrance Fees	(750,000)	(1,125,000)	(1,148,000)
Provision for Bad Debts	250,000	255,000	261,000
Changes in Assets and Liabilities:			
(Increase) Decrease In:			
Accounts Receivable	95,725	97,000	98,000
Prepaid Expenses	6,116	7,000	8,000
Inventory	(3,688)	(4,000)	(5,000)
Bond Escrows	(3,996,000)	(1,018,000)	(599,000)
(Decrease) Increase In:			
Accounts Payable and Accrued Expenses	(76,582)	(78,000)	(79,000)
Other Liabilities	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>743,658</u>	<u>840,000</u>	<u>942,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Fixed Assets	(237,825)	(241,000)	(244,000)
Net (Increase)/Decrease in Investments	50,000	51,000	52,000
Change in Other Assets	(14,873)	(16,000)	(17,000)
Decrease (Increase) in Operating Reserve	(173,500)	83,000	(65,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>(376,198)</u>	<u>(123,000)</u>	<u>(274,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Long-Term Debt Borrowings	300,000	303,000	307,000
Repayments of Long Term Debt	(612,000)	(840,000)	(840,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(312,000)</u>	<u>(537,000)</u>	<u>(533,000)</u>
Increase in Cash	55,460	180,000	135,000
Cash, Beginning of Year	<u>2,088,642</u>	<u>2,144,102</u>	<u>2,324,102</u>
Cash, End of Year	<u>2,144,102</u>	<u>2,324,102</u>	<u>2,459,102</u>

Friends House Retirement Community, Inc.
 Operating Reserves -Previous, Current and Succeeding Years
 (Exhibit G-4)

	Year Ended June 30,				
	Previous 2022	Current 2023	Next Year 2024	Projected 2025	Projected 2026
Total Expenses	13,618,273	15,001,852	15,936,924	16,637,671	16,975,000
Less: Depreciation	(1,590,928)	(1,589,607)	(1,638,216)	(2,626,348)	(2,679,000)
Less: Interest Expense	(955,972)	(1,010,286)	(1,202,823)	(1,250,000)	(1,275,000)
Net Expenses	11,071,373	12,401,959	13,095,885	12,761,323	13,021,000
Operating Reserve	1,660,800	3,100,500	3,274,000	3,190,400	3,255,300

Friends House Retirement Community, Inc.
Exhibit G-4

OPERATING RESERVES

Explanation of Steps Currently Being Taken to Meet the Operating Reserve Requirements Effective January 1, 2023

See footnotes of the Certified Financial Statement for the calculation of the Operating Reserve and the funding status

In addition, management is aware of the requirement to increase from 15% to 25% of operating expenses, as defined. The Organization currently has adequate reserves to fund the Operating Reserve both at current and future levels mandated by the State of Maryland. In addition, the Organization is currently going through a process to streamline operations and reposition the campus to provide adequate cash flow to replace the additional required funding of the operating reserve.

**CARF INTERNATIONAL
FINANCIAL RATIO SUMMARY SCHEDULE
AND BENCHMARKING RATIOS FROM
2023 FINANCIAL RATIOS & TREND ANALYSIS
Friends House Retirement Community, Inc.**

	Two Years Prior Audit 06/30/21	Previous Audit Year 06/30/22	Most Recent Audit Year 06/30/23	Current Year Budget 06/30/24	Projected Year 1 06/30/25	Projected Year 2 06/30/26
Operating Performance						
Operating Margin Ratio	-24.91%	-12.16%	-8.92%	-12.46%	-9.26%	-8.68%
Operating Ratio	118.74%	106.66%	103.30%	97.64%	97.09%	96.52%
Total Excess Margin Ratio	-20.05%	-5.58%	-5.12%	-9.57%	-6.53%	-5.98%
Net Operating Margin	-10.54%	-0.21%	3.57%	10.73%	11.23%	11.75%
Net Operating Margin - Adjusted	28.09%	8.56%	11.59%	30.60%	17.12%	15.20%
Liquidity						
Days in Accounts Receivable	25.16	33.23	36.47	31.84	28.32	24.93
Days Cash on Hand Ratio	296.96	275.04	240.29	266.30	264.37	262.52
Cushion Ratio	0.90	9.85	6.95	5.37	4.79	4.80
Capital Structure						
Debt Service Coverage Ratio	0.45	2.12	1.84	3.21	1.47	1.32
Debt Service Coverage Ratio-Rev Basis	(0.04)	0.96	0.93	1.06	0.99	1.04
Debt Service % of Tot. Oper & Net Nonoper Gains	93.65%	7.09%	8.74%	12.26%	13.27%	13.10%
Unrestricted Cash & Investments to L/T Debt	49.22%	52.81%	42.79%	47.15%	48.99%	50.96%
Long-term Debt as a Percentage of Total Capital Ratio	58.81%	59.56%	64.55%	67.17%	68.91%	70.69%
Long-term Debt as a Percentage of Total Capital Ratio-Adjusted	46.62%	46.64%	51.86%	48.50%	47.89%	47.66%
Long-term Debt to Total Assets Ratio	39.43%	39.33%	42.86%	43.48%	44.33%	45.32%
Average Age of Community	8.78	9.82	10.50	7.55	8.40	9.23
Capital Expenditures as a Percentage of Depreciation	0.20	0.38	2.37	0.09	0.09	0.09

	Financial Ratios & Trend Analysis 2022					
	2021 Ratio Quartiles					
	Single-Facility Providers			Multi-Facility Providers		
	25%	50%	75%	25%	50%	75%
Operating Performance						
Operating Margin Ratio	-9.14%	-5.54%	1.52%	-11.16%	-4.27%	0.85%
Operating Ratio	108.51%	101.44%	93.77%	107.98%	102.10%	98.92%
Total Excess Margin Ratio	-4.51%	1.21%	7.06%	-4.47%	3.08%	7.72%
Net Operating Margin	-5.50%	-0.29%	8.19%	-4.21%	1.05%	6.05%
Net Operating Margin - Adjusted	9.92%	18.47%	25.92%	9.60%	16.33%	22.37%
Liquidity						
Days in Accounts Receivable	25	15	8	26	20	14
Days Cash on Hand Ratio	372	547	805	218	352	571
Cushion Ratio	7.54	13.22	23.57	5.36	7.35	14.89
Capital Structure						
Debt Service Coverage Ratio	1.86	2.83	4.02	1.93	2.46	3.37
Debt Service Coverage Ratio-Rev Basis	0.31	0.92	2.02	0.28	1.10	1.51
Debt Service % of Tot. Oper & Net Nonoper Gains	12.89%	9.59%	6.57%	12.16%	9.20%	6.99%
Unrestricted Cash & Investments to L/T Debt	33.68%	83.39%	187.46%	39.20%	47.50%	75.63%
Long-term Debt as a Percentage of Total Capital Ratio	120.87%	74.28%	45.03%	103.19%	78.82%	61.60%
Long-term Debt as a Percentage of Total Capital Ratio-Adjusted	87.66%	53.27%	31.61%	76.86%	58.76%	45.19%
Long-term Debt to Total Assets Ratio	49.00%	33.21%	21.88%	47.49%	40.61%	34.05%
Average Age of Community	15.84	12.98	10.11	13.64	11.91	10.50

Friends House Retirement Community, Inc.
Exhibit G-5

Explanations of Ratios Below the Median

For all ratios below the median, Friends House Retirement Community (the Organization) has recently added additional independent living units to provide improving financial results. We believe this allows us to meet our obligations under the CCRC's provision of Continuing Care and enhance our financial stability.

**EXHIBIT I
HISTORY OF FEES**

(Effective July 1st)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assisted Living					
<u>Haviland Hall</u>	<u>Daily</u>	<u>Daily</u>	<u>Daily</u>	<u>Monthly</u>	<u>Monthly</u>
	<u>Service Fee</u>	<u>Service Fee</u>	<u>Service Fee</u>	<u>Service Fee</u>	<u>Service Fee</u>
Semi-Private Room	\$169	\$158	\$152	\$4,442	\$4,313
Private Room	\$213	\$199	\$191	\$5,552	\$5,390
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Skill Nursing - Rehab Unit					
<u>Stabler Hall</u>	<u>Daily Rate</u>	<u>Daily Rate</u>	<u>Daily Rate</u>	<u>Daily Rate</u>	<u>Daily Rate</u>
Semi-Private Room	\$391	\$365	\$351	\$339	\$323
Private Room	\$455	\$425	\$409	\$395	\$387
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Skilled Nursing - Dementia Unit					
<u>Thomas Hall</u>	<u>Daily Rate</u>	<u>Daily Rate</u>	<u>Daily Rate</u>	<u>Daily Rate</u>	<u>Daily Rate</u>
Semi-Private Room	\$455	\$425	\$409	\$395	\$387
Private Room w/shared bathroom	\$487	\$455	\$447	\$432	\$416
Private Room w/private bathroom	\$501	\$468	\$468	\$452	\$434

EXHIBIT I
History of Fees - Entrance Fees Miscellaneous
(effective July 1st)

<u>Independent Living Unit</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cottages - 90% Refundable Plan					
Quaker Lane & Quaker Knoll - 18	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee
Duplexes - 90% Refundable Plan					
Friends House Road - 3	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
Friends House Road - 4	\$116,000	\$116,000	\$116,000	\$116,000	\$116,000
Friends House Road - 1	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
Cottage Apts. In Friends House - Units C26 - C30 - 90% Refundable Plan					
Studio and One Bedroom	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee

Monthly Service Fees
(effective July 1st)

<u>Unit - Cottages</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019+</u>
17200 Quaker Lane	\$2,164	\$2,022	\$1,939	\$1,883	\$1,828
17204 Quaker Lane	\$2,451	\$2,291	\$2,197	\$2,133	\$2,071
17209 Quaker Lane	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
17211 Quaker Lane	\$2,651	\$2,478	\$2,376	\$2,307	\$2,137
17215 Quaker Lane	\$2,614	\$2,443	\$2,342	\$2,274	\$2,207
17219 Quaker Lane	\$2,291	\$2,141	\$2,053	\$1,993	\$1,935
17301 Quaker Lane	\$2,357	\$2,203	\$2,112	\$2,050	\$1,810
17303 Quaker Lane	\$1,780	\$1,664	\$1,595	\$1,549	\$1,367
17305 Quaker Lane	\$2,082	\$1,946	\$1,866	\$1,812	\$1,759
17307 Quaker Lane	\$1,993	\$1,863	\$1,786	\$1,734	\$1,531
17311 Quaker Lane	\$2,632	\$2,460	\$2,359	\$2,290	\$2,224
17315 Quaker Lane	\$2,750	\$2,570	\$2,464	\$2,392	\$2,323
1010 Quaker Knoll Road	\$2,924	\$2,733	\$2,620	\$2,544	\$2,470
1011 Quaker Knoll Road	\$2,703	\$2,526	\$2,422	\$2,351	\$2,282
1012 Quaker Knoll Road	\$2,720	\$2,542	\$2,437	\$2,366	\$2,297
1013 Quaker Knoll Road	\$2,628	\$2,456	\$2,355	\$2,286	\$2,220
1014 Quaker Knoll Road	\$2,414	\$2,256	\$2,163	\$2,100	\$2,038
1015 Quaker Knoll Road	\$2,470	\$2,308	\$2,213	\$2,149	\$2,087

+ Monthly Service Fees do not include utilities.

<u>Unit - Duplexes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020+</u>	<u>2019+</u>
Friends House Rd. Duplexes - 4	\$2,781	\$2,599	\$2,492	\$2,419	\$2,348
Friends House Rd. Duplexes - 4	\$2,497	\$2,334	\$2,238	\$2,173	\$2,109

+ Monthly Service Fees do not include utilities.

<u>Cottage Apts. In Friends House - Units C26 - C30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Studio	Not in Service	Not in Service	Not in Service	Not in Service	\$1,600
One Bedroom					
Single Occupancy	Not in Service	Not in Service	Not in Service	Not in Service	\$1,912
Double Occupancy	Not in Service	Not in Service	Not in Service	Not in Service	\$2,237

<u>Unit - Rentals Only (as cottages turn over)</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Quaker Lane Cottages	\$1,740 - \$2,952	\$1,626 - \$2,759	\$1,560 - \$2,648	\$1,515 - \$2,571	\$1,471 - \$2,496
Quaker Knoll Road Cottages	\$2,808 - \$3,405	\$2,624 - \$3,182	\$2,518 - \$3,054	\$2,445 - \$2,965	\$2,374 - \$2,879

Duplex Fees upon turnover of existing Residents
1.2% Declining Plan (as of April 2021 2%)

<u>Independent Living Unit</u>	<u>Entrance Fee</u>	<u>Single Monthly Service Fee</u>	<u>Couple Monthly Service Fee</u>
Friends House Rd. Duplexes - 4	\$265,000	\$2,800	\$2,800
Friends House Rd. Duplexes - 4	\$280,000	\$2,900	\$2,900
50% Refundable Plan			
Friends House Rd. Duplexes - 4	\$371,000	\$2,800	\$2,800
Friends House Rd. Duplexes - 4	\$392,000	\$2,900	\$2,900
90% Refundable Plan			
Friends House Rd. Duplexes - 4	\$503,500	\$2,800	\$2,800
Friends House Rd. Duplexes - 4	\$532,000	\$2,900	\$2,900

**EXHIBIT I
HISTORY OF FEES**

1.2% Declining Plan (2% effective 4/21)

Independent Living Unit	Effective 7/1/2023			Effective 7/1/2022			Effective 7/1/2021			Effective 7/1/2020			Effective 7/1/2019		
	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee
Lodge - 1 Bedroom	\$193,286	\$3,173	\$3,612	\$185,852	\$2,965	\$3,375	\$178,190	\$2,843	\$3,243	\$167,900	\$2,840	\$3,220	\$167,900	\$2,760	\$3,120
Lodge - 1 Bedroom/Den	\$233,508	\$3,414	\$3,853	\$224,527	\$3,191	\$3,601	\$215,270	\$3,059	\$3,459	\$203,000	\$3,060	\$3,430	\$203,000	\$2,970	\$3,330
Lodge - 2 Bedrooms	\$270,377	\$3,622	\$4,061	\$259,978	\$3,385	\$3,795	\$249,280	\$3,245	\$3,645	\$234,900	\$3,250	\$3,620	\$234,900	\$3,150	\$3,510
Lodge - 2 Bedrooms/Den	\$320,488	\$3,736	\$4,175	\$319,315	\$3,492	\$3,902	\$287,800	\$3,348	\$3,748	\$252,400	\$3,350	\$3,720	\$252,400	\$3,250	\$3,610
Cottages - Duplexes - 1 BR/Den	\$328,475	\$3,219	\$3,219	\$315,841	\$3,008	\$3,093	\$302,820	\$2,987	\$2,987	\$285,600	\$2,890	\$2,890	\$285,600	\$2,800	\$2,800
Cottages - Duplexes - 2 BR/Den	\$389,957	\$3,333	\$3,333	\$384,574	\$3,115	\$3,200	\$347,110	\$3,090	\$3,090	\$327,600	\$2,990	\$2,910	\$327,600	\$2,900	\$2,900
Cottages - Duplexes - 2 BR	\$323,988	\$3,333	\$3,333	\$310,950	\$3,115	\$3,200	\$285,000	\$2,900	\$2,900	***	***	***	***	***	***
Cottages - Duplexes - 3 BR	\$341,692	\$3,449	\$3,449	\$328,550	\$3,223	\$3,308	\$312,005	\$3,172	\$3,172	***	***	***	***	***	***
Apartment - 1 Bedroom	\$197,043	\$3,066	\$3,505	\$189,464	\$2,865	\$3,260	\$179,761	\$2,719	\$3,114	***	***	***	***	***	***
Apartment - 1 Bedroom/Den	\$194,990	\$3,035	\$3,474	\$187,490	\$2,836	\$3,231	\$181,653	\$2,747	\$3,142	***	***	***	***	***	***
Apartment - 2 BR	\$259,618	\$3,610	\$4,049	\$248,671	\$3,374	\$3,789	\$238,419	\$3,235	\$3,630	***	***	***	***	***	***

50% Refundable Plan

Independent Living Unit	Effective 7/1/2023			Effective 7/1/2022			Effective 7/1/2021			Effective 7/1/2020			Effective 7/1/2019		
	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee
Lodge - 1 Bedroom	\$270,377	\$3,173	\$3,612	\$259,978	\$2,965	\$3,375	\$249,260	\$2,843	\$3,243	\$234,900	\$2,840	\$3,220	\$234,900	\$2,760	\$3,120
Lodge - 1 Bedroom/Den	\$325,241	\$3,414	\$3,853	\$313,693	\$3,191	\$3,601	\$300,760	\$3,059	\$3,459	\$283,300	\$3,060	\$3,430	\$283,300	\$2,970	\$3,330
Lodge - 2 Bedrooms	\$377,634	\$3,622	\$4,061	\$363,110	\$3,385	\$3,795	\$348,140	\$3,245	\$3,645	\$327,600	\$3,250	\$3,620	\$327,600	\$3,150	\$3,510
Lodge - 2 Bedrooms/Den	\$408,684	\$3,736	\$4,175	\$381,042	\$3,492	\$3,902	\$374,920	\$3,348	\$3,748	\$353,300	\$3,350	\$3,720	\$353,300	\$3,250	\$3,610
Cottages - Duplexes - 1 BR/Den	\$460,311	\$3,219	\$3,219	\$442,607	\$3,008	\$3,093	\$424,360	\$2,987	\$2,987	\$400,100	\$2,890	\$2,890	\$400,100	\$2,800	\$2,800
Cottages - Duplexes - 2 BR/Den	\$550,176	\$3,333	\$3,333	\$538,631	\$3,115	\$3,200	\$486,160	\$3,090	\$3,090	\$458,900	\$2,990	\$2,910	\$458,900	\$2,900	\$2,900
Cottages - Duplexes - 2 BR	\$452,742	\$3,333	\$3,333	\$435,329	\$3,115	\$3,200	\$397,500	\$2,900	\$2,900	***	***	***	***	***	***
Cottages - Duplexes - 3 BR	\$478,369	\$3,449	\$3,449	\$459,970	\$3,223	\$3,308	\$432,175	\$3,090	\$3,090	***	***	***	***	***	***

90% Refundable Plan

Independent Living Unit	Effective 7/1/2023			Effective 7/1/2022			Effective 7/1/2021			Effective 7/1/2020			Effective 7/1/2019		
	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee	Entrance Fee	Single Monthly Service Fee	Couple Monthly Service Fee
Lodge - 1 Bedroom	\$360,462	\$3,173	\$3,612	\$352,367	\$2,965	\$3,375	\$337,840	\$2,843	\$3,243	\$318,300	\$2,840	\$3,220	\$318,300	\$2,760	\$3,120
Lodge - 1 Bedroom/Den	\$444,670	\$3,414	\$3,853	\$427,567	\$3,191	\$3,601	\$409,940	\$3,059	\$3,459	\$385,300	\$3,060	\$3,430	\$385,300	\$2,970	\$3,330
Lodge - 2 Bedrooms	\$513,045	\$3,622	\$4,061	\$494,173	\$3,385	\$3,795	\$473,800	\$3,245	\$3,645	\$446,000	\$3,250	\$3,620	\$446,000	\$3,150	\$3,510
Lodge - 2 Bedrooms/Den	\$553,045	\$3,736	\$4,175	\$531,774	\$3,492	\$3,902	\$509,850	\$3,348	\$3,748	\$480,000	\$3,350	\$3,720	\$480,000	\$3,250	\$3,610
Cottages - Duplexes - 1 BR/Den	\$625,666	\$3,219	\$3,219	\$601,602	\$3,008	\$3,093	\$576,800	\$2,987	\$2,987	\$542,900	\$2,890	\$2,890	\$542,900	\$2,800	\$2,800
Cottages - Duplexes - 2 BR/Den	\$759,477	\$3,333	\$3,333	\$729,305	\$3,115	\$3,200	\$699,200	\$3,090	\$3,090	\$612,600	\$2,990	\$2,910	\$612,600	\$2,900	\$2,900
Cottages - Duplexes - 2 BR	\$614,436	\$3,333	\$3,333	\$600,804	\$3,115	\$3,200	\$503,500	\$2,900	\$2,900	***	***	***	***	***	***
Cottages - Duplexes - 3 BR	\$649,825	\$3,449	\$3,449	\$624,832	\$3,223	\$3,308	\$598,510	\$3,090	\$3,090	***	***	***	***	***	***

** - pricing for these units began 7/1/21. In addition, declining balance plans are the only option for these units.

*** - pricing for these units began 7/1/22. As these units turnover from existing residents, this pricing scale is used for new residents.

Exhibit J

Advertisement & Other Promotional Materials

- ST. PETER'S CHURCH IN OLNEY THANKS OUR BULLETIN ADVERTISERS - PLEASE PATRONIZE THEM WHEN POSSIBLE -

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Crematorium on premises.

EXHIBIT L

DATE OF ANNUAL MEETING

The last annual board meeting was held on February 15, 2023.

EXHIBIT M: UPDATE OF RENOVATION OR EXPANSION ACTIVITIES

See Exhibit K, Section 27.

Exhibit N

Friends House Retirement Community

Disclosure Statement

FYE 6/30/2023

Friends House projects that the number of subscribers who will require nursing home care is 25.

Friends House estimates that the life expectancy of subscribers is 12-15 years.

ADDENDUM 1: ANCILLARY CHARGES



Friends House
community through caring

**HAVILAND HALL
ASSISTED LIVING UNIT**

SCHEDULE OF CHARGES – (effective July 1, 2023)

The basic rate will cover room, board, nursing care (except Itemized Charges), bathing and grooming supplies, personal laundry and housekeeping service.

Semi-Private Room	\$169 per day (\$5,070 per month)*
Private Room	\$213 per day (\$6,390 per month)*

* - Based on a 30-day month

**Bed Hold
(Reservation of room, prior to admission)**

Semi-Private Room	\$64 per day
Private Room	\$80 per day

(Reservation of room while transferred to other levels of care)

Semi-Private Room	\$136 per day
Private Room	\$172 per day

Respite Rate (Minimum 10-day stay)

Semi-Private Room	\$136 per day
Private Room	\$172 per day

Phone Service

Unlimited Local and Long Distance (within the U.S.) \$38 per month

(OVER)

Financial Plan

Basic rate for room in advance at time of admission, covering period of time to first of the month following admission. Subsequent statements to reflect room rate in advance for the upcoming month, and current monthly charges.

ADDITIONAL CHARGES

Nursing Supplies

Nebulizer	\$129.00
Specialty Mattress	varies depending on model

Beauty Shop

Wash & Set	\$26.00 each
Haircut	\$30.00 each
Haircut & Blow Dry	\$39.00 each
Permanent	\$79.00 each

Voluntary Room Transfer Fee

\$268.00

Guest Meals (* if eating w/residents in Haviland Hall)

Adult

Children 5 years of age and under no charge

Breakfast \$ 8.00

Lunch \$11.00

Dinner \$16.00

*Bistro is `a la carte

Charges Billed By Providers

Walkers

Wheelchairs

Geriatric Chairs

Pharmacy Prescriptions

Medical Visits

Transportation Services

Dental Care

Vision Care

Podiatry

Telephone

Cable/Internet

Newspaper

Late Payment Fees

If any charges or fees payable to the Facility are not paid by the twenty-fifth day of the month in which they become due, a one and one-half percent late fee (equivalent to 18 per cent a year) will be levied on the unpaid balance for each month it remains unpaid. Further, if the Resident fails to make payment for charges and fees payable to the Facility and the Facility retains the services of a collection agency or attorney, the Resident shall be responsible for all collection agency and attorney's fees, court costs and other collection expenses.

Return Check Fee

\$40.00 per occurrence

Updated 5/26/2023



Friends House
community through caring

**SKILLED NURSING
(STABLER / THOMAS HALL)**

SCHEDULE OF CHARGES – (effective July 1, 2023)

The basic rate will cover room, board, nursing care (except Itemized Charges), personal grooming supplies, personal laundry and housekeeping service.

STABLER HALL

Semi-Private Room	\$391 per day
Private Room	\$455 per day

THOMAS HALL/REHABILITATION

Semi-Private Room	\$455 per day
Private Room w/shared bath	\$487 per day
Private Room w/private bath	\$501 per day

Bed Hold

(Reservation of room, prior to admission)

Semi-Private Room	\$147 per day
Private Room	\$175 per day

(Reservation of room while transferred to other levels of care)

Semi-Private Room	\$312 per day
Private Room	\$357 per day

Respite Rate (Minimum 10-day stay)

Stabler Hall	\$362 per day
Thomas Hall	\$418 per day

Phone Service

Unlimited Local and Long Distance (within the U.S.) \$38.00 per month

(OVER)

ITEMIZED CHARGES

Tube Feeding	\$225.00 per month
Specialty Mattresses	varies depending on model

Financial Processing

Basic rate for room in advance at time of admission, covering period of time to first of the month following admission. Subsequent statements to reflect room rate in advance for the upcoming month, and current monthly charges.

ADDITIONAL CHARGES

Beauty Shop

Wash & Set	\$26.00
Haircut	\$30.00
Haircut & Blow Dry	\$39.00
Permanent	\$79.00

Voluntary Room Transfer Fee

\$268.00

Guest Meals

Adult

Children 5 years of age and under no charge

Breakfast	\$ 8.00
Lunch	\$11.00
Dinner	\$16.00

* Bistro is `a la carte

Charges Billed By Providers

Wheelchairs
Walkers
Geriatric Chairs
Pharmacy Prescriptions
Medical Visits
Transportation Services
Vision Care
Dental Care
Podiatry
Telephone
Cable/Internet
Newspaper

Late Payment Fees

If any charges or fees payable to the Facility are not paid by the twenty-fifth day of the month in which they become due, a one and one-half percent late fee (equivalent to 18 per cent a year) will be levied on the unpaid balance for each month it remains unpaid. Further, if the Resident fails to make payment for charges and fees payable to the Facility and the Facility retains the services of a collection agency or attorney, the Resident shall be responsible for all collection agency and attorney's fees, court costs and other collection expenses.

Return Check Fee

\$40.00 per occurrence

Updated 5/26/2023



Friends House
community through caring

RESIDENTIAL LIVING

SCHEDULE OF CHARGES - (effective July 1, 2023)

DINING SERVICES CHARGES

`a la carte

Guest Meals

`a la carte

MEAL DELIVERY CHARGE

\$3.50 per meal

MEAL CREDIT – Lodge Residents may request a meal credit when they are away for a minimum of seven (7) consecutive days. For planned absences, complete a notification of overnight absence form or “away slip” and turn in to the front desk. If you are hospitalized or have an emergency, you may complete the form after your return. The credit is based that the meal allowance has not been used. Meal credit is \$6.50 per day.

HOUSEKEEPING CHARGES

Hourly rate - \$43.00 (minimum 1/2 hour)

MAINTENANCE CHARGES

Hourly rate - \$40.00 (minimum 1/2 hour + cost of materials)

Move charges see In-House Move

CARPET CLEANING CHARGES

Please contact the Director of Facilities and Project Management at 301.804.4214 for an estimate.

KEYS - \$5.00

FOBS - \$5.00

IN-HOUSE MOVE: Actual cost of labor and material for reconditioning the apartment plus a \$268.00 administrative fee. If Maintenance moves the Resident, the cost will be \$55 per hour, per staff person.

(OVER)

Appointments using Friends House vehicle and driver must be arranged ahead of time by calling Friends House 301-924-7520.

GUEST APARTMENT:

No pets allowed. Reservations made more than 30 days in advance will require a non-refundable deposit of one night's cost.

Guest Cottage/Apartment \$96.00 per night

BEAUTY SHOP

No tipping is allowed.

Currently open Monday only, but subject to change. See current schedule that is posted at the Front Desk in the Events Notebook.

Wash & Set	\$26.00
Haircut	\$30.00
Haircut & Blow Dry	\$39.00
Permanent	\$79.00

(Prices subject to change.)

PHYSICAL THERAPY - For appointments - call the Rehabilitation Department at 301-924-7527.

RETURN CHECK FEE

\$40 per occurrence

Updated 5/26/23