

The Village at Providence Point, Inc.

Financial Statements

December 31, 2025 and 2024

The Village at Providence Point, Inc.

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Independent Auditors' Report

To the Board of Trustees of
The Village at Providence Point, Inc.

Opinion

We have audited the financial statements of The Village at Providence Point, Inc. (TVPP), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TVPP as of December 31, 2025 and 2024, and the changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of TVPP 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 TVPP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 TVPP'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 TVPP's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

New Castle, Pennsylvania
April 24, 2026

The Village at Providence Point, Inc.

Balance Sheets

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Prepaid expenses and other current assets	\$ 69,028	\$ 42,288
Current portion of assets whose use is limited	<u>760,639</u>	<u>296,875</u>
Total current assets	829,667	339,163
Assets Whose Use is Limited	35,400,345	12,941,444
Property and Equipment, Net	66,422,391	26,145,783
Right-of-Use Asset	<u>474,098</u>	<u>702,876</u>
Total assets	<u>\$ 103,126,501</u>	<u>\$ 40,129,266</u>
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accrued expenses	\$ 5,829,310	\$ 104,592
Accrued interest	760,639	296,875
Current portion of operating lease liability	<u>249,250</u>	<u>304,713</u>
Total current liabilities	6,839,199	706,180
Due to Affiliates	44,866,158	34,576,865
Resident Deposits	16,109,461	12,370,933
Long-Term Debt, Net	54,460,995	9,500,000
Lease Liability, Net	<u>224,848</u>	<u>398,163</u>
Total liabilities	<u>122,500,661</u>	<u>57,552,141</u>
Net Assets (Deficit)		
Without donor restrictions	(19,382,485)	(17,429,675)
With donor restrictions	<u>8,325</u>	<u>6,800</u>
Total net deficit	<u>(19,374,160)</u>	<u>(17,422,875)</u>
Total liabilities and net deficit	<u>\$ 103,126,501</u>	<u>\$ 40,129,266</u>

See notes to financial statements

The Village at Providence Point, Inc.

Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Changes in Net Deficit Without Donor Restrictions		
Revenue:		
Application fees	\$ 7,200	\$ 9,300
Operating expenses:		
Salaries and wages	479,725	417,091
Employee benefits and payroll taxes	86,986	86,977
Professional fees	307,580	110,751
Supplies	6,731	5,821
Food services	5,254	4,490
Depreciation	177,559	177,462
Insurance	4,913	6,683
Repairs and maintenance	387	660
Utilities	22,662	21,428
Advertising and marketing	657,889	460,541
Licenses, dues and subscriptions	32,623	23,433
Other operating expenses	273,468	251,715
Total operating expenses	<u>2,055,777</u>	<u>1,567,052</u>
Deficiency of operating revenue over expenses	<u>(2,048,577)</u>	<u>(1,557,752)</u>
Nonoperating revenue:		
Interest and dividends	95,767	89,616
Total nonoperating revenue	<u>95,767</u>	<u>89,616</u>
Deficiency of operating and nonoperating revenue over expenses	(1,952,810)	(1,468,136)
Changes in Net Assets With Donor Restrictions		
Contributions	1,525	300
Change in net deficit	(1,951,285)	(1,467,836)
Net Deficit, Beginning	<u>(17,422,875)</u>	<u>(15,955,039)</u>
Net Deficit, Ending	<u>\$ (19,374,160)</u>	<u>\$ (17,422,875)</u>

See notes to financial statements

The Village at Providence Point, Inc.

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net deficit	\$ (1,951,285)	\$ (1,467,836)
Adjustments to reconcile change in net deficit to net cash and restricted cash used in operating activities:		
Depreciation	177,559	177,462
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(26,740)	(23,703)
Accrued expenses	425,422	41,705
	<u>(1,375,044)</u>	<u>(1,272,372)</u>
Net cash used in operating activities		
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(34,558,414)</u>	<u>(1,697,708)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	49,500,000	-
Payments for financing costs	(4,671,698)	-
Net change in resident deposits	3,738,528	1,702,452
Change in due to affiliates	10,289,293	3,031,514
	<u>58,856,123</u>	<u>4,733,966</u>
Net cash provided by financing activities		
Net increase in restricted cash	22,922,665	1,763,886
Restricted Cash, Beginning	<u>13,238,319</u>	<u>11,474,433</u>
Restricted Cash, Ending	<u>\$ 36,160,984</u>	<u>\$ 13,238,319</u>
Restricted Cash Includes		
Assets whose use is limited	\$ 16,109,461	\$ 12,370,933
Trustee held funds	20,051,523	867,386
	<u>\$ 36,160,984</u>	<u>\$ 13,238,319</u>
Supplemental Schedule of Noncash Financing Activities		
Capitalized interest expense	<u>\$ 1,304,949</u>	<u>\$ 600,702</u>
Capitalized deferred financing costs	<u>\$ 132,693</u>	<u>\$ 97,054</u>
Long-term debt paid through refinancing	<u>\$ 9,500,000</u>	<u>\$ -</u>
Supplemental Disclosure of Cash Flow Information		
Property and equipment included in accrued expenses	<u>\$ 5,763,060</u>	<u>\$ -</u>

See notes to financial statements

The Village at Providence Point, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

The Village at Providence Point, Inc. (TVPP), a Maryland not-for-profit corporation, was formed to acquire, develop and operate property located in Annapolis, Maryland, as a continuing care retirement community. TVPP will offer independent living apartments, cottages and health care suites. The project is currently in its development stages. TVPP is a faith-based, not-for-profit ministry partner of the Delaware-Maryland Synod of the Evangelical Lutheran Church in America (ELCA), serving people of all beliefs.

National Lutheran, Inc. (NLI), a Maryland not-for-profit corporation, is the parent corporation of a system doing business as National Lutheran Communities & Services (NLCS). NLCS is a faith-based, not-for-profit ministry partner of the Delaware-Maryland Synod, the Metro D.C. Synod and the Virginia Synod of the ELCA, serving people of all beliefs.

NLI provides management and support services and is the sole Member or parent of The Village at Rockville, Inc. (TVAR), The Village at Orchard Ridge, Inc. (TVOR), The Legacy at North Augusta, Inc. (TLNA), The Village at Providence Point, Inc. (TVPP), Augsburg Lutheran Home of Maryland, Inc. d/b/a Augsburg Acorn Foundation (AAF) and Community Services, LLC, which is the sole member of myPotential Maryland, LLC (myPotential MD) and myPotential Virginia, LLC (myPotential VA).

Basis of Accounting

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

Use of Estimates

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

Property and Equipment

Property and equipment are reported at cost, or if donated, at fair value. Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives (3-40 years). TVPP's capitalization policy is to capitalize amounts in excess of \$5,000. The general range of estimated useful lives is 5 to 20 years for furniture and equipment and fifteen to forty years for buildings and building and land improvements. Expenditures that extend the useful lives of the assets or significantly increase their capacity are capitalized.

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

The Village at Providence Point, Inc.

Notes to Financial Statements
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Deferred Financing Costs

Financing costs were incurred in connection with the issuance of long-term debt. These costs are reported on the accompanying balance sheets as a reduction of long-term debt and are being amortized over the life of the debt using the straight-line method, which approximates the effective interest method.

During the year ended December 31, 2025, the Organization incurred \$4,671,698 of deferred financing costs related to new bond issuances. Amortization expense was \$132,693 and \$97,054 for the years ended December 31, 2025 and 2024, which was capitalized as the financed project remains in progress.

Net Assets (Deficit)

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

Net Deficit Without Donor Restrictions - Net deficit available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net (deficit) without donor restrictions.

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

Deficiency of Operating and Nonoperating Revenue Over Expenses

The statements of operations and changes in net deficit include the determination of deficiency of operating and nonoperating revenue over expenses as the performance indicator.

Income Tax Status

TVPP is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and has been recognized as tax exempt under Section 501(a) of the IRC. Accordingly, no provision for income taxes has been provided.

Accounting principles generally accepted in the United States of America require an organization to evaluate tax positions taken by TVPP and recognize a tax liability or asset if TVPP has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). TVPP has concluded that as of December 31, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements.

Generally, tax returns for years ended December 31, 2022, and thereafter remain subject to examination by federal and state tax authorities.

The Village at Providence Point, Inc.

Notes to Financial Statements
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Advertising

TVPP follows the policy of charging advertising costs to expense as incurred. Total advertising expense amounted to \$657,889 and \$460,541 for the years ended December 31, 2025 and 2024, respectively.

Maryland Operating Reserve

In accordance with Maryland law governing continuing care retirement communities, TVPP would be required to set aside operating reserves totaling 25% of the facility's net operating expenses (as defined) for the most recent audited fiscal year. Due to TVPP's circumstance of being in the development phase, no operating reserve was required as of December 31, 2025 or 2024.

Subsequent Events

TVPP has evaluated subsequent events for recognition and disclosure through April 24, 2026, which is the date the financial statements were issued.

2. Liquidity and Availability of Resources

For the years ended December 31, 2025 and 2024, there were no or minimal liquid and available resources for TVPP. However, TVPP has been able to obtain funding from the parent company, NLI, and through financing. When revenue is collected in the future, as part of TVPP's liquidity management, there is a policy to structure the financial assets to be available as general expenditures, liabilities and other obligations come due.

3. Assets Whose Use is Limited

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

	<u>2025</u>	<u>2024</u>
Escrow fund	\$ 16,109,461	\$ 12,370,933
Trustee held funds	<u>20,051,523</u>	<u>867,386</u>
	36,160,984	13,238,319
Less current portion	<u>(760,639)</u>	<u>(296,875)</u>
Assets whose use is limited, net	<u>\$ 35,400,345</u>	<u>\$ 12,941,444</u>

The Village at Providence Point, Inc.

Notes to Financial Statements
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5. Property and Equipment

A summary of property and equipment is as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Buildings and building improvements	\$ 549,393	\$ 549,392
Furniture and equipment	116,089	116,089
Construction in progress	<u>66,111,930</u>	<u>25,657,764</u>
	66,777,412	26,323,245
Less accumulated depreciation	<u>(355,021)</u>	<u>(177,462)</u>
	<u>\$ 66,422,391</u>	<u>\$ 26,145,783</u>

Construction in progress as of December 31, 2025, consists of development and construction costs incurred in connection with the Organization's repositioning project. Construction activities commenced during the year ended December 31, 2025.

As of December 31, 2025, TVPP entered into a long-term contract for construction of the community in Annapolis, Maryland. The total contract amount is \$173,152,715, of which \$7,560,996 has been incurred as of December 31, 2025, resulting in remaining commitments of \$165,591,719. The remaining commitments are expected to be funded through the Series 2025 Bonds (see Note 7). The project is scheduled for completion by April 2028.

Interest cost incurred amounted to \$1,304,949 and \$600,702 for the years ended December 31, 2025 and 2024, respectively, which was capitalized as part of the cost of project development.

6. Related-Party Transactions

NLI is the sole member of TVPP and provides support in the form of management and support services in exchange for management fees and provides additional capital support when needed.

Various entities that are part of the NLCS system make working capital advances to each other as needed. Related party transactions bear no interest and have no stated repayment terms.

The following represents net amounts due to affiliated organizations as of December 31:

	<u>2025</u>	<u>2024</u>
NLI	\$ 44,866,158	\$ 34,576,865

The Village at Providence Point, Inc.

Notes to Financial Statements
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7. Long-Term Debt

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

	<u>2025</u>	<u>2024</u>
Series 2021 Fixed Rate Taxable Bonds, at 6.25%, payable in semiannual installments of interest only beginning January 2022 to satisfy annual debt service requirements. Bonds were paid in full during the year ended December 31, 2025.	\$ -	\$ 9,500,000
Series 2025A Fixed Rate Taxable Bonds, at 6.80%, payable in annual installments of interest only beginning in 2026 through 2028, and then annual principal and interest payments through 2035 to satisfy annual debt service requirements.	16,720,000	-
Series 2025B Fixed Rate Taxable Bonds, at 6.80%, payable in annual installments of interest only beginning in 2026 through 2028, and then annual principal and interest payments through 2035 to satisfy annual debt service requirements.	10,000,000	-
Series 2025C Index Floating Rate Entrance Fee Bonds, adjusted quarterly to the 5-year MMD plus 270 basis points, subject to floor of 5.45% and ceiling of 6.20%. At December 31, 2025, the interest rate was 5.45%, payable in annual installments of interest only beginning in 2025 to satisfy annual debt service requirements with a single payment of principal due in 2032.	13,960,000	-
Series 2025D Fixed Rate Entrance Fee Bonds, at 6.10%, payable in annual installments of interest only beginning in 2026 to satisfy annual debt service requirements with a single payment of principal due in 2034.	18,320,000	-
	<u>59,000,000</u>	<u>9,500,000</u>
Less deferred financing costs	4,539,005	-
Total long-term debt	<u>\$ 54,460,995</u>	<u>\$ 9,500,000</u>

In 2021, fixed rate taxable bonds (Series 2021 Bonds) were issued to reimburse NLI for development costs. In March 2024, the Series 2021 Bonds were reissued, resulting in an extension of the maturity date from September 1, 2024 to September 1, 2026. The interest rate increased from 5.25% to 6.25%. The Series 2021 Bonds were redeemed with proceeds from the Series 2025 Bonds.

On September 18, 2025, the Series 2025 tax exempt bonds (Series 2025 Bonds) were issued by the Public Finance Authority as draw down bonds to finance the acquisition, construction, installation and equipping of TVPP, with the total aggregate principal amount of \$297,500,000. The Series 2025 Bonds will be delivered from time to time as funds are required to finance TVPP. As of December 31, 2025, \$59,000,000 has been advanced.

The Village at Providence Point, Inc.

Notes to Financial Statements
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As security for the payment of the bonds, TVPP has granted a lien and security interest in the mortgaged premises and assigned a security interest in all personal property and gross revenues of TVPP to the master trustee. Additionally, NLI and National Lutheran Home for the Aged, Inc. entered into support agreements guaranteeing the repayment of the bonds as additional security up to \$20,000,000 (Guaranteed Amount). The Guaranteed Amount will decrease to \$10,000,000 when certain conditions are met. The support agreements will terminate upon the achievement of financial performance targets as defined in the agreements.

The annual aggregate maturities of long-term debt are as follows as of December 31, 2025:

Years ending December 31:	
2026	\$ -
2027	-
2028	-
2029	990,000
2030	1,070,000
Thereafter	<u>56,940,000</u>
	<u>\$ 59,000,000</u>

8. Expenses by Nature and Function

TVPP's expenses for general and administrative purposes are as follows for the years ended December 31:

	2025		
	<u>Resident Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ -	\$ 479,725	\$ 479,725
Employee benefits and payroll taxes	-	86,986	86,986
Professional fees	-	307,580	307,580
Supplies	-	6,731	6,731
Food services	-	5,254	5,254
Depreciation	-	177,559	177,559
Insurance	-	4,913	4,913
Repairs and maintenance	-	387	387
Utilities	-	22,662	22,662
Advertising and marketing	-	657,889	657,889
Licenses, dues and subscriptions	-	32,623	32,623
Other operating expenses	-	273,468	273,468
Total	<u>\$ -</u>	<u>\$ 2,055,777</u>	<u>\$ 2,055,777</u>

The Village at Providence Point, Inc.

Notes to Financial Statements

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	2024		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ -	\$ 417,091	\$ 417,091
Employee benefits and payroll taxes	-	86,977	86,977
Professional fees	-	110,751	110,751
Supplies	-	5,821	5,821
Food services	-	4,490	4,490
Depreciation	-	177,462	177,462
Insurance	-	6,683	6,683
Repairs and maintenance	-	660	660
Utilities	-	21,428	21,428
Advertising and marketing	-	460,541	460,541
Licenses, dues and subscriptions	-	23,433	23,433
Other operating expenses	-	251,715	251,715
Total	\$ -	\$ 1,567,052	\$ 1,567,052

The financial statements report certain expense categories that are attributable to more than one health care or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated to the functions based on square footage basis. Due to TVPP not yet being operational in 2025 and 2024, all expenses are classified as general and administrative.

9. Insurance Claims Coverage

TVPP participates in a reciprocal risk retention group (RRG) through NLI. The coverage is provided on a claims-made basis. General liability coverages were provided for TVPP in the amount of \$1,000,000 per event and \$3,000,000 per annual aggregate. Each claim has a \$75,000 self-insured retention, prior to the primary insurance coverage. TVPP also has an excess umbrella policy for general liability coverage. The excess umbrella limit is \$15,000,000 in the aggregate. TVPP funds any potential accrued claims incurred but not reported liability through the premiums paid to the RRG. As of December 31, 2025, no such adjustments to premiums are deemed necessary.

10. Commitments and Contingencies

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