

**CONSOLIDATED FINANCIAL STATEMENTS
OF
BARTELS LUTHERAN RETIREMENT COMMUNITY
AND AFFILIATE
WAVERLY, IOWA
AT
DECEMBER 31, 2022 AND 2021**



Certified Public Accountants
2900 100th Street, Suite 303
Urbandale, IA 50322

T 515.225.3141 www.ryungivens.com

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bartels Lutheran Retirement Community and Affiliate
Waverly, Iowa

Opinion

We have audited the accompanying consolidated financial statements of Bartels Lutheran Retirement Community (a nonprofit health care entity) and affiliate, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bartels Lutheran Retirement Community and affiliate as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bartels Lutheran Retirement Community and affiliate 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted ASU 2016-02, the new accounting pronouncement for leases. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

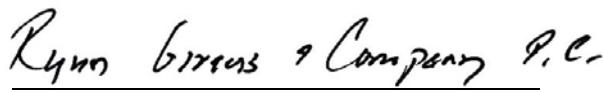
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bartels Lutheran Retirement Community and affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bartels Lutheran Retirement Community and affiliate'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.

RYUN, GIVENS & COMPANY, P.C.


Certified Public Accountants

March 24, 2023

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 742,243	\$ 529,732
Certificates of Deposit	315,737	363,215
Investments	8,676,188	11,583,666
Resident Receivables, Net of Allowance for Doubtful Accounts of \$94,028 in 2022 and \$100,000 in 2021	410,087	389,913
Prepaid Expenses and Other Current Assets	197,597	268,042
Total Current Assets	10,341,852	13,134,568
Assets Limited as to Use	171,007	243,340
Property and Equipment:		
Land	2,142,747	1,881,847
Buildings and Improvements	43,888,101	41,870,236
Equipment and Furniture	5,391,886	5,166,917
Construction in Progress	1,227,759	1,380,175
Total Property and Equipment	52,650,493	50,299,175
LESS - Accumulated Depreciation	19,676,220	18,314,313
Net Property and Equipment	32,974,273	31,984,862
Other Assets:		
Restricted Cash	138,314	22,074
Certificates of Deposit	126,580	996,778
Refundable Advance for Construction	394,638	-
Right-of-Use Assets for Finance Leases, Net	63,900	83,070
Other Assets	127,434	123,517
Franchise Fees, Net of Accumulated Amortization of \$84,713 in 2022 and \$78,151 in 2021	177,187	183,749
Long-Term Investments Restricted for Endowment	2,438,004	3,019,985
Total Other Assets	3,466,057	4,429,173
TOTAL ASSETS	\$ 46,953,189	\$ 49,791,943

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021**

	2022	2021
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Line of Credit	\$ 400,000	\$ -
Current Maturities of Finance Lease Liabilities	18,963	18,406
Current Maturities of Long-Term Debt	851,730	825,620
Accounts Payable	351,985	218,791
Accrued Salaries and Benefits	539,731	499,817
Other Current Liabilities	142,787	161,858
Total Current Liabilities	2,305,196	1,724,492
Long-Term Liabilities:		
Finance Lease Liabilities, Less Current Maturities	47,801	66,749
Long-Term Debt, Less Current Maturities	6,336,538	7,171,114
Deferred Revenue from Advance Fees	2,762,114	2,504,739
Refundable Advance Fees	21,905,267	20,330,535
Deferred Compensation	171,007	243,340
Total Long-Term Liabilities	31,222,727	30,316,477
Total Liabilities	33,527,923	32,040,969
Net Assets:		
Without Donor Restrictions:		
Board Designated, Chaplaincy Endowment	771,126	771,126
Undesignated	10,415,790	14,179,255
Total Net Assets Without Donor Restrictions	11,186,916	14,950,381
Net Assets With Donor Restrictions	2,238,350	2,800,593
Total Net Assets	13,425,266	17,750,974
TOTAL LIABILITIES AND NET ASSETS	\$ 46,953,189	\$ 49,791,943

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, Gains and Other Support:		
Resident Service Revenue, Including Amortization of Advance Fees of \$336,782 for 2022 and \$289,736 for 2021	\$ 11,899,751	\$ 11,173,381
Investment Income (Loss)	(284,053)	637,916
Relief Fund Contributions	-	229,506
Contributions	228,826	126,274
Other Operating Revenue	53,637	49,105
Net Assets Released from Restrictions Used for Operations	223,424	223,894
Total Revenues, Gains and Other Support	12,121,585	12,440,076
Expenses:		
Salaries and Benefits	7,603,815	7,821,127
Contracted and Outsourced Services	1,636,102	1,146,949
Food and Departmental Supplies	958,990	876,289
Occupancy	1,031,976	970,831
Other Expenses	329,689	350,263
Depreciation and Amortization	1,537,708	1,464,464
Interest and Amortization	254,527	310,594
Infrastructure Development	1,326,035	-
Total Expenses	14,678,842	12,940,517
Operating Income (Loss)	(2,557,257)	(500,441)
Change in Net Unrealized Gains (Losses) on Investments	(1,231,353)	194,284
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	25,145	68,319
Increase (Decrease) in Net Assets Without Donor Restrictions	(3,763,465)	(237,838)
NET ASSETS WITH DONOR RESTRICTIONS		
Investment Income	96,179	271,058
Contributions	144,789	79,261
Change in Net Unrealized Gains (Losses) on Investments	(554,642)	127,419
Net Assets Released from Restrictions	(248,569)	(292,213)
Increase (Decrease) in Net Assets With Donor Restrictions	(562,243)	185,525
 Increase (Decrease) in Net Assets	 (4,325,708)	 (52,313)
Net Assets, Beginning of Year	17,750,974	17,803,287
Net Assets, End of Year	\$ 13,425,266	\$ 17,750,974

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			
	Program Services	Management and General	Fundraising	Total
Expenses:				
Salaries and Benefits	\$ 6,290,128	\$ 1,313,687	\$ -	\$ 7,603,815
Contracted and Outsourced Services	1,631,131	4,971	-	1,636,102
Food and Departmental Supplies	946,459	12,531	-	958,990
Occupancy	867,285	164,691	-	1,031,976
Other Expenses	24,662	305,027	-	329,689
Depreciation and Amortization	1,537,708	-	-	1,537,708
Interest and Amortization	254,279	248	-	254,527
Infrastructure Development	1,326,035	-	-	1,326,035
Total Functional Expenses	\$ 12,877,687	\$ 1,801,155	\$ -	\$ 14,678,842

	2021			
	Program Services	Management and General	Fundraising	Total
Expenses:				
Salaries and Benefits	\$ 6,561,514	\$ 1,259,613	\$ -	\$ 7,821,127
Contracted and Outsourced Services	1,142,200	4,749	-	1,146,949
Food and Departmental Supplies	865,272	11,017	-	876,289
Occupancy	796,428	174,403	-	970,831
Other Expenses	60,269	289,994	-	350,263
Depreciation and Amortization	1,464,464	-	-	1,464,464
Interest and Amortization	310,591	3	-	310,594
Total Functional Expenses	\$ 11,200,738	\$ 1,739,779	\$ -	\$ 12,940,517

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (4,325,708)	\$ (52,313)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
(Gain) Loss on Sale of Investments	423,740	(642,391)
Change in Net Unrealized (Gains) Losses on Investments	1,785,995	(321,703)
Depreciation and Amortization	1,552,209	1,478,965
Loss on Disposal of Property and Equipment	10,555	26,261
Infrastructure Development	1,326,035	-
Discount on Unconditional Promises to Give	-	(2,165)
Investment Income Restricted for Long-Term Purposes	(1,836)	(1,457)
Contributions Restricted for Long-Term Purposes	(35,398)	(150)
Proceeds from Advance Fees	3,791,289	4,291,510
Amortization of Advance Fees	(336,782)	(289,736)
Change in Deferred Compensation	(72,333)	(68,066)
(Increase) Decrease in:		
Resident Receivables	(20,174)	176,477
Prepaid Expenses and Other Current Assets	105,163	(35,238)
Other Assets	(3,917)	(2,947)
Increase (Decrease) in:		
Accounts Payable	107,268	(255,693)
Accrued Salaries and Benefits	39,914	(63,947)
Other Current Liabilities	(19,071)	129,348
Net Cash Provided (Used) by Operating Activities	4,326,949	4,366,755
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificates of Deposit	-	(27,638)
Proceeds from Sale of Certificates of Deposit	917,676	-
Purchase of Investments	(1,044,293)	(1,696,827)
Proceeds from Sale of Investments	2,324,017	1,780,087
Purchase of Property and Equipment	(3,851,269)	(2,361,570)
Proceeds from Sale of Property and Equipment	4,500	-
Net Cash Provided (Used) by Investing Activities	(1,649,369)	(2,305,948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Assets Limited as to Use	72,333	68,066
Proceeds from Investment Income Restricted for Long-Term Purposes	1,836	1,457
Proceeds from Contributions Restricted for Long-Term Purposes	35,398	24,050
Proceeds from Line of Credit	5,362	-
Principal Payments on Finance Lease Liabilities	(18,391)	-
Principal Payments on Long-Term Debt	(822,967)	(759,746)
Refunds of Advance Fees	(1,622,400)	(2,283,646)
Net Cash Provided (Used) by Financing Activities	(2,348,829)	(2,949,819)

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	328,751	(889,012)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	551,806	1,440,818
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 880,557	\$ 551,806

Supplemental Disclosure of Cash Flow Information:

Cash Paid for Interest	\$ 241,041	\$ 298,727
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Supplemental Schedule of Noncash Investing and Financing Activities:

During the year ended December 31, 2022, the Organization used proceeds from line of credit to pay a refundable advance for construction in the amount of \$394,638.

At December 31, 2022 and 2021, accounts payable included \$25,926 and \$45,787, respectively, for the purchase of property and equipment.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Bartels Lutheran Retirement Community and Memorial Foundation of Bartels Lutheran Retirement Community (hereinafter the Organization). Intra-entity transactions and balances have been eliminated in the consolidation.

Nature of Business

Bartels Lutheran Home d/b/a Bartels Lutheran Retirement Community is an Iowa nonprofit corporation organized for the purpose of operating a nursing facility and a retirement facility in Waverly, Iowa. The retirement community includes 36 independent living units (Eichhorn Haus), 30 assisted living units (Linden Place), 20 memory care assisted living units (Aspen Cottage), and a 100 bed licensed nursing facility (Woodland Terrace). Of the 100 nursing facility beds, 93 are dually certified for Medicare and Medicaid participation, including 30 beds that are for residents with Alzheimer's or dementia (Evergreen Arbor), and 7 are certified for Medicare only. The Organization is in the process of completing construction of an independent living community (Eisenach Village) consisting of townhomes that currently consists of 88 completed units. The Organization is also in the process of developing another independent living community (Anna Estates) that will consist of single family homes and duplexes.

Bartels Lutheran Home Memorial Foundation d/b/a Memorial Foundation of Bartels Lutheran Retirement Community is an Iowa nonprofit corporation organized for the purpose of operating a foundation to exclusively support and benefit Bartels Lutheran Retirement Community through the solicitation of gifts, grants, and other contributions.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Use of Estimates

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

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited by bond indenture or contractual obligation, board designation and contributions restricted for long term purposes.

The Organization maintains cash deposits and certificates of deposit at area financial institutions which at times exceed federal insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Certificates of Deposit

Certificates of deposit are measured at cost, which is the initial amount of cash invested plus accrued interest.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in operating income (loss) unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from operating income (loss) unless the investments are trading securities.

The Organization has investments, assets limited as to use, and investments restricted for endowment, which are not federally insured and are subject to the market risks inherent in the individual investments.

Resident Receivables

Receivables for resident accounts reflect the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing care and services. These amounts are due from residents, third party payors (including health insurers and government programs), and others. As a service to the resident, the Organization bills third-party payers directly and bills the resident when the resident's responsibility for co-pays, insurance, and deductibles is determined. Accounts receivable are due in full when billed. Management provides for probable uncollectible amounts through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Assets Limited as to Use

Assets limited as to use consist of assets set aside by the Board of Directors for deferred compensation in the amount of \$171,007 and \$243,340 at December 31, 2022 and 2021, respectively.

Property and Equipment

Property and equipment is stated at cost and is being depreciated by the straight-line method over the following estimated useful lives:

Buildings and Improvements	3-60 Years
Equipment and Furniture	5-15 Years

Depreciation expense totaled \$1,511,976 and \$1,457,902 for the years ended December 31, 2022 and 2021, respectively.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Maintenance and repairs are charged to operations when incurred. Betterments and renewals of \$1,000 or more are capitalized. When property, plant and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Refundable Advance for Construction

During the year ended December 31, 2022, the Organization paid refundable advances to MidAmerican Energy for installation of utilities to serve the Anna Estates development. Refunds will be made to the Organization for a ten-year period based on the number of new MidAmerican Energy customers at Anna Estates and the revenue from those customers. At December 31, 2022, the balance of the refundable advance for construction was \$394,638.

Right-of-Use Assets for Finance Leases

Right-of-use assets for finance leases are amortized using the straight-line method over the shorter of the lease term or useful life of the right-of-use asset. Amortization expense charged to operations was \$19,170 for the year ended December 31, 2022.

Franchise Fees

Franchise fees are amortized using the straight-line method over the life of the buildings constructed for the Eisenach Village project. Amortization expense charged to operations was \$6,562 for both years ended December 31, 2022 and 2021. Estimated amortization expense for each of the next five years is \$6,562 per year.

Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the debt.

Advance Fees

Advance fees paid by a resident upon entering into a residency agreement for Eichhorn Haus, net of the portion thereof that is refundable to the resident, are amortized into income over the life of the resident. The refundable portion is recorded as refundable advance fees. The amount of refund is based on the amount of the advance fee paid by the vacating resident less a transfer and refurbishing fee.

Advance fees paid by a resident upon entering into a Type A residency agreement for Eisenach Village, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and amortized into income over the life of the resident. The refundable portion is recorded as refundable advance fees. Under the terms of the contract, upon resale of the unit, the advance fee is refunded to the resident or the resident's estate. The amount of refund is based on the original advance fee paid by the vacating resident less transfer and refurbishing fees.

Advance fees paid by a resident upon entering into a Type B residency agreement for Eisenach Village, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and amortized into income over the life of the resident. The refundable portion is recorded as refundable advance fees. Under the terms of the contract, upon resale of the unit, the advance fee is refunded to the resident or the resident's estate. The amount of refund is based on the new advance fee paid by the incoming resident less transfer and refurbishing fees.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Income (Loss)

The consolidated statements of activities include operating income (loss). Changes in net assets without donor restrictions which are excluded from operating income (loss), consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Revenue

Resident Care Revenues

Resident care revenue for the nursing facility is reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments from estimated reimbursements, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident care revenue is recognized as performance obligations are satisfied.

The Organization enters into contracts to provide resident health, hospice, and outpatient therapy services. Each service provided under the contract is capable of being distinct, and thus, the services are considered individual and separate performance obligations. The performance obligations are satisfied as services are provided and revenue is recognized as services are provided.

The Organization receives payment for services under various third-party payor programs which include Medicare, Medicaid, and other third-party payors. Estimates for settlements with third-party payors for retroactive adjustments from estimated reimbursements due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Organization estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor, and historical payment trends. Changes to these estimates for retroactive adjustments are recognized in the period the change or adjustment becomes known or when final settlements are determined.

Assisted Living Revenues

Assisted living provides apartment housing with assistance for elderly citizens. The residents pay a monthly rent based on the type of unit and the level of care provided. Residents are required to pay an application fee when entering into a residency agreement retained by the Organization upon occupancy. The Organization has determined that the services included under the Organization's assisted living residency agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time.

Retirement Community Revenues

Apartment and townhome revenues consist of monthly maintenance fees and amortization of the retained portion of the fee paid to occupy the apartment or townhome. When an individual enters into a residency agreement, a portion of the residency fee is retained by the Retirement Community, and generally accepted accounting principles require the retained portion be amortized into revenue over the expected life of the resident. The unamortized balance of this retained portion is included in deferred revenue from advance fees on the consolidated statements of financial position. The remaining portion of the residency fee is refundable to the resident (or the resident's estate) when the apartment or townhome is vacated. The refundable balance is included in long-term liabilities on the consolidated statements of financial position as refundable advance fees.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue (Continued)

Retirement Community Revenues (Continued)

Residents occupying independent living units pay a monthly maintenance fee amount. The Organization has determined that services included under the Organization's residency rental agreement have the same timing and pattern of transfer and are performance obligations that are satisfied over time.

Home Health Revenues

The Organization enters into contracts to provide various types of services to clients on their campus. Each service provided under the contract is capable of being distinct, and thus, the services are considered individual and separate performance obligations. The performance obligations are satisfied as services are provided and revenue is recognized as services are provided.

Relief Fund Contributions

During the year ended December 31, 2021, the Organization received payments totaling \$229,506, of COVID-19 relief funds. The funding supports healthcare-related expenses attributable to COVID-19 and certain relief funds can also be used to support lost resident service revenue. The funds received are recorded as a refundable advance until healthcare-related expenses attributable to COVID-19 are incurred and lost resident service revenue is recognized. As appropriate expenses are incurred and lost resident service revenue is recognized, contribution revenue is recognized. During the year ended December 31, 2021, 229,506 of the funds received are recognized as relief fund contributions on the consolidated statements of activities.

Contributions and Donor-Restricted Funds

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 and reported in the consolidated statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed Services

Volunteers provide assistance to the Organization on its programs and other activities. No value has been assigned to these services and, as such, the value of these services is not reflected in the financial statements as revenue and expense.

Infrastructure Development

In conjunction with the construction of a new independent living subdivision, the Organization entered into an agreement with the City of Waverly (City) for infrastructure development. As the developer, the Organization agrees to create and fund the streets, public sanitary sewer and water mains. Upon completion, the Organization agrees to dedicate the infrastructure to City.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$30,370 and \$15,024 for the years ended December 31, 2022 and 2021, respectively.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on a reasonable basis that is consistently applied.

Expenses are allocated using cost reporting guidelines set forth by the Iowa Administrative Code.

Income Taxes and Accounting for Uncertain Tax Positions

Bartels Lutheran Retirement Community and the Memorial Foundation of Bartels Lutheran Retirement Community are exempt under Code Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is presented in these financial statements.

The Organizations' federal Returns of Organization Exempt from Income Tax (Forms 990) remain subject to examination by the IRS, generally for three years after they were filed. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

New Accounting Pronouncement

Effective January 1, 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Leases with a term of less than 12 months will not record a right-of-use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization elected to adopt ASU 2016-02 using the optional transition method that allows the Organization to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the Organization reporting for the comparative period presented in the financial statements is in accordance with ASU 2016-02.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right-of-use assets.

The adoption of ASU 2016-02 resulted in reclassifications of certain items in the prior year's financial statements to conform with current year presentation. As of December 31, 2021, assets included in equipment and furniture of \$95,850 and accumulated depreciation of \$12,780 resulting in net property and equipment of \$83,070 that was reclassified as right-of-use assets for finance leases, net. As of December 31, 2021, other current liabilities of \$18,406 was reclassified as current maturities of finance lease liabilities and other current liabilities of \$66,749 was reclassified as finance lease liabilities, less current maturities. Such reclassifications have no effect on net assets as previously stated.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Organization's financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	2022	2021
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 742,243	\$ 529,732
Certificates of Deposit	442,317	1,359,993
Investments	8,676,188	11,583,666
Resident Receivables, Net	410,087	389,913
Other Current Assets - Unconditional Promises to Give, Net	2,446	4,179
Assets Limited as to Use	171,007	243,340
Restricted Cash	138,314	22,074
Long-Term Investments Restricted for Endowment	2,438,004	3,019,985
Total Financial Assets	\$ 13,020,606	\$ 17,152,882
Less Amounts Not Available to be Used Within One Year:		
Net Assets Board Designated for Chaplaincy Endowment	\$ 771,126	\$ 771,126
Net Assets With Donor Restrictions	2,238,350	2,800,593
Less Net Assets with Purpose Restrictions to be Met in Less Than One Year	(291,610)	(307,053)
Certificates of Deposit Board Designated to Repay Debt	0	870,198
Assets Limited as to Use Board Designated for Deferred Compensation	171,007	243,340
Total	\$ 2,888,873	\$ 4,378,204
Financial Assets Available for General Expenditures Within One Year	\$ 10,131,733	\$ 12,774,678

The Organization has net assets, certificates of deposit, and assets limited to use that are board designated and could be made available, if necessary.

The Organization has certain investments which are available for general expenditures within one year in the normal course of operations. The Organization has other investments which are not available for general expenditures within the next year. However, the amounts that are board designated could be made available, if necessary. (See Note 1 and Note 9.)

Additionally, the Organization obtained a \$500,000 line of credit during the year ended December 31, 2022 with \$100,000 available at December 31, 2022. (See Note 8.)

NOTE 3 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows at December 31, 2022 and 2021:

	2022	2021
Cash and Cash Equivalents	\$ 742,243	\$ 529,732
Restricted Cash	138,314	22,074
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidated Statements of Cash Flows	\$ 880,557	\$ 551,806

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 4 - INVESTMENT INCOME (LOSS)

Investment income (loss) is summarized as follows:

	2022	2021
Increase (Decrease) in Net Assets Without Donor Restrictions:		
Interest and Dividend Income, Net	\$ 199,090	\$ 242,672
Gain (Loss) on Sale of Investments	(483,143)	395,244
	\$ (284,053)	\$ 637,916
Increase in Net Assets With Donor Restrictions:		
Interest and Dividend Income, Net	\$ 36,776	\$ 23,911
Gain on Sale of Investments	59,403	247,147
	\$ 96,179	\$ 271,058
Total Investment Income (Loss)	\$ (187,874)	\$ 908,974
Change in Net Unrealized Gains (Losses) on Investments:		
Net Assets Without Donor Restrictions	\$ (1,231,353)	\$ 194,284
Net Assets With Donor Restrictions	(554,642)	127,419
Total Change in Net Unrealized Gains (Losses) on Investments	\$ (1,785,995)	\$ 321,703

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair Values Measured on a Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2022 and 2021:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<i>December 31, 2022</i>			
Money Market	\$ 298,249	\$ 298,249	\$ 0
Certificates of Deposit	250,000	0	250,000
Equity Securities	5,167,579	5,167,579	0
Fixed Income Securities	5,558,149	5,558,149	0
International Equity Securities	11,222	11,222	0
Total	\$ 11,285,199	\$ 11,035,199	\$ 250,000
<i>December 31, 2021</i>			
Cash Alternatives	\$ 65,030	\$ 65,030	\$ 0
Money Market	406,772	406,772	0
Certificates of Deposit	2,200,000	0	2,200,000
Equity Securities	6,649,321	6,649,321	0
Fixed Income Securities	5,474,644	5,474,644	0
International Equity Securities	51,224	51,224	0
Total	\$ 14,846,991	\$ 12,646,991	\$ 2,200,000

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

Fair Values Measured on a Recurring Basis (Continued)

Assets measured at fair value consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Investments	\$ 8,676,188	\$ 11,583,666
Assets Limited as to Use	171,007	243,340
Long-Term Investments Restricted for Endowment	<u>2,438,004</u>	<u>3,019,985</u>
Total	<u>\$ 11,285,199</u>	<u>\$ 14,846,991</u>

Financial Accounting Standards Board for *Fair Value Measurements and Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures the fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

Fair values for investments and assets limited as to use are determined by reference to quoted market prices and other relevant information generated by market transactions.

Level 2 Fair Value Measurements

Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

NOTE 6 - CONSTRUCTION IN PROGRESS

Projects included in construction in progress are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Eisenach Village independent living townhome development with 92 units to be constructed as units are sold, estimated total cost is unknown	\$ 840,183	\$ 1,349,025
Anna Estates independent living community development, estimated total cost is unknown	165,390	31,150
Equipment upgrades, estimated total cost of \$340,000	<u>222,186</u>	<u>0</u>
	<u>\$ 1,227,759</u>	<u>\$ 1,380,175</u>

NOTE 7 - LEASES - LESSEES

The Organization has a lease arrangement for certain equipment. The lease has an original term of 5 years and contains renewal options, which are not reasonably certain of exercise. The Organization's lease arrangement contains both lease and non-lease components. The Organization has elected to account for non-lease components as operating expenses as incurred.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 7 - LEASES - LESSEES (Continued)

Lease liability maturities as of December 31, 2022, are as follows:

Finance Leases:		
2023	\$	20,661
2024		20,661
2025		20,661
2026		<u>6,888</u>
Total Undiscounted Liabilities	\$	68,871
LESS: Imputed Interest		<u>2,107</u>
Total Lease Liabilities	\$	<u>66,764</u>

The weighted-average remaining lease term related to the Organization's lease liabilities as of December 31, 2022 was 3.33 years.

The weighted-average discount rate related to the Organization's lease liabilities as of December 31, 2022 was 3%. The discount rates are generally based on stated interest rates or calculated rates based on terms of the various agreements. The amount of interest incurred on lease liabilities for the year ended December 31, 2022 was \$2,271, all of which was charged to operations.

NOTE 8 - DEBT

Line of Credit

During the year ended December 31, 2022, the Organization obtained a revolving line of credit agreement with First Bank that provided for maximum borrowings of \$500,000 and expires February 1, 2023. The line of credit was secured by the Commercial Security Agreement dated July 19, 2022. The line of credit requires monthly interest payments at a rate of 0.5% above the Wall Street Journal U.S. prime rate as published in the Wall Street Journal, but not less than 5% or more than 18% (8% at December 31, 2022). At December 31, 2022, the outstanding balance on the line of credit was \$400,000. (See Note 16.)

Long-Term Debt

<u>Description</u>	<u>2022</u>	<u>2021</u>
Iowa Finance Authority, Retirement Facility Revenue Refunding Note (Bartels Lutheran Retirement Community), Series 2015, payable in monthly payments of \$61,107, including interest at 3.375% through December 21, 2021 changing to 2.96% on December 22, 2021, and a balloon payment on November 15, 2027. Note is secured by the First Amendment to Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated November 1, 2015.	\$ 5,056,213	\$ 5,627,943
Iowa Finance Authority, Retirement Facility Revenue Refunding Note (Bartels Lutheran Retirement Community), Series 2016, payable in monthly payments of \$26,808, including interest at 3.525% through December 21, 2021 changing to 2.96% on December 22, 2021, and a balloon payment on November 15, 2027. Note is secured by the First Amendment to Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated November 1, 2015.	<u>2,202,480</u>	<u>2,453,717</u>
Total Long-Term Debt	\$ 7,258,693	\$ 8,081,660
LESS: Unamortized Debt Issuance Costs	<u>70,425</u>	<u>84,926</u>
Total Long-Term Debt, Less Unamortized Debt Issuance Costs	\$ 7,188,268	\$ 7,996,734
LESS: Current Maturities of Long-Term Debt	<u>851,730</u>	<u>825,620</u>
Long-Term Debt, Less Current Maturities	<u>\$ 6,336,538</u>	<u>\$ 7,171,114</u>

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 8 - DEBT (Continued)

Long-Term Debt (Continued)

Maturities required on long-term debt as of December 31, 2022, are due in the future years as follows:

Year ending December 31:		
2023	\$	851,730
2024		876,766
2025		903,593
2026		930,705
2027		<u>3,695,899</u>
	\$	<u>7,258,693</u>

The Series 2015 and Series 2016 Notes contain certain restrictive covenants which include liquidity covenants for the maintenance of 120 days cash on hand and historical debt service coverage must be at least 1.20. The lender waived the debt service coverage ratio for the year ended December 31, 2022.

The amount of interest incurred on long-term debt for the years ended December 31, 2022 and 2021 was \$237,755 and \$296,093, respectively, all of which was charged to operations. Amortization expense for debt issuance costs charged to operations was \$14,501 for both years ended December 31, 2022 and 2021.

NOTE 9 - NET ASSETS

Net assets with donor restrictions are restricted for the following purposes for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Specific Purpose:		
More than Bricks Campaign	\$ 96,875	\$ 81,007
Good Shepherd Fund	163,587	145,970
Donor Restrictions	45,004	7,226
Chaplaincy	<u>117,824</u>	<u>170,869</u>
	<u>423,290</u>	<u>405,072</u>
Spending Policy and Appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$771,700), which, once appropriated, is expendable to support:		
Employee Scholarships	135,362	135,539
Chaplaincy Endowment	<u>1,679,698</u>	<u>2,259,982</u>
	<u>1,815,060</u>	<u>2,395,521</u>
Total	<u>\$ 2,238,350</u>	<u>\$ 2,800,593</u>

Net assets without donor restrictions for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 10,415,790	\$ 14,179,255
Board Designated, Chaplaincy Endowment	<u>771,126</u>	<u>771,126</u>
Total	<u>\$ 11,186,916</u>	<u>\$ 14,950,381</u>

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 9 - NET ASSETS (Continued)

Net assets released from net assets with donor restrictions are as follows:

	2022	2021
Satisfaction of Purpose Restrictions:		
Purchase of Equipment	\$ 25,145	\$ 68,319
Chaplaincy	173,045	210,109
Other Donor Restrictions	50,379	13,785
Total	\$ 248,569	\$ 292,213

NOTE 10 - ENDOWMENT

The Organization's endowment fund consists of two individual funds established for employee scholarships and chaplaincy. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions the original value of gifts donated to the endowment as a fund of perpetual duration.

The Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gifts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater. The income from the funds held in perpetuity is classified as net assets with donor restrictions until appropriated for expenditure by the Board of Directors.

<i>Endowment Net Asset Composition by Fund as of December 31, 2022</i>	Board Designated	Net Assets With Donor Restrictions	Total
Donor Restricted Endowment Funds	\$ 0	\$ 1,815,060	\$ 1,815,060
Board Designated Endowment Funds	771,126	0	771,126
Total Funds	\$ 771,126	\$ 1,815,060	\$ 2,586,186

<i>Endowment Net Asset Composition by Fund as of December 31, 2021</i>	Board Designated	Net Assets With Donor Restrictions	Total
Donor Restricted Endowment Funds	\$ 0	\$ 2,395,521	\$ 2,395,521
Board Designated Endowment Funds	771,126	0	771,126
Total Funds	\$ 771,126	\$ 2,395,521	\$ 3,166,647

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 10 - ENDOWMENT (Continued)

Interpretation of Relevant Law (Continued)

<i>Changes in Endowment of Net Assets for the year ended December 31, 2022</i>	<u>Board Designated</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 771,126	\$ 2,395,521	\$ 3,166,647
Investment Return:			
Investment Income	\$ 0	\$ 96,179	\$ 96,179
Change in Net Unrealized Gains (Losses) on Investments	<u>0</u>	<u>(554,642)</u>	<u>(554,642)</u>
Total Investment Return (Loss)	\$ 0	\$ (458,463)	\$ (458,463)
Appropriation of Endowment for Expenditure	\$ 0	\$ (121,998)	\$ (121,998)
Endowment Net Assets, End of Year	<u>\$ 771,126</u>	<u>\$ 1,815,060</u>	<u>\$ 2,586,186</u>

<i>Changes in Endowment of Net Assets for the year ended December 31, 2021</i>	<u>Board Designated</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 771,126	\$ 2,116,895	\$ 2,888,021
Investment Return:			
Investment Income	\$ 0	\$ 271,057	\$ 271,057
Change in Net Unrealized Gains (Losses) on Investments	<u>0</u>	<u>127,419</u>	<u>127,419</u>
Total Investment Return	\$ 0	\$ 398,476	\$ 398,476
Contributions	\$ 0	\$ 150	\$ 150
Appropriation of Endowment for Expenditure	\$ 0	\$ (120,000)	\$ (120,000)
Endowment Net Assets, End of Year	<u>\$ 771,126</u>	<u>\$ 2,395,521</u>	<u>\$ 3,166,647</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both unrealized gains and interest and dividends.

Spending Policy

The Organization has a policy of appropriating earnings on funds to be used for employee scholarships and future chaplaincy related expenses.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 11 - RETIREMENT PLAN

The Organization sponsors a 401(k) defined contribution retirement plan. For eligible employees, as defined by the plan, the Organization contributes 100% of the first 3% of employee contributions and 50% of the next 2%. Employer contributions to the plan were \$114,879 and \$131,599 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

At December 31, 2022 and 2021, the Organization had amounts deposited with organizations which were affiliated with members of the Board of Directors totaling \$766,093 and \$512,413, respectively.

At December 31, 2022 and 2021, the Organization had a line of credit payable to organizations which were affiliated with members of the Board of Directors in the amount of \$400,000 and none, respectively. During the years ended December 31, 2022 and 2021, the Organization paid \$6,511 and none, respectively, for interest incurred on the line of credit.

During the years ended December 31, 2022 and 2021, the Organization received \$17,160 and \$14,737, respectively, from residents related to members of the Organization's Board of Directors or management.

NOTE 13 - CONCENTRATION OF CREDIT RISK

Most of the Organization's business activity is with residents of the facility. Bartels Lutheran Home is under a contractual agreement with the Iowa Department of Human Services and Iowa's Managed Care Organizations as a licensed provider of Title XIX care (Medicaid). Revenue received from Medicaid approximated \$2,617,000 and \$2,438,000 for the years ended December 31, 2022 and 2021, respectively. Included in revenue for the years ended December 31, 2022 and 2021 was provider tax revenue net of provider tax paid of \$127,446 and \$109,358, respectively. Receivables from Medicaid on behalf of residents at December 31, 2022 and 2021 were \$228,617 and \$251,536, respectively.

The Organization is under a contractual agreement with the Department of Health and Human Services – Centers for Medicare and Medicaid Services as a licensed provider of Title XVIII care (Medicare). Revenue received from this source approximated \$1,096,000 and \$1,165,000 for the years ended December 31, 2022 and 2021, respectively. Receivables from Medicare on behalf of residents at December 31, 2022 and 2021 were \$142,012 and \$115,115, respectively.

NOTE 14 - CONCENTRATION IN STATE MEDICAID PROGRAM

The Organization has the majority of its nursing beds designated for care of patients under the state's Medicaid program. The current funding of that program is 30 to 90 days behind filed claims. The current state budget has no provision for reducing that lag, and the proposed budget for next year includes no assurance of increased funding.

NOTE 15 - THIRD PARTY RATE ADJUSTMENTS AND REVENUE

Revenue from the Medicaid program accounted for approximately 22% of the Organization's resident service revenue for both years ended December 31, 2022 and 2021. Revenue from the Medicare program accounted for approximately 9% and 10% of the Organization's resident service revenue for the years ended December 31, 2022 and 2021, respectively. Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

NOTE 16 - SUBSEQUENT EVENT

The date to which events occurring after December 31, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is March 24, 2023, which is the date the financial statements were available to be issued.

On February 15, 2023, the Organization extended the maturity date of the line of credit with First Bank to April 1, 2023.

CONSOLIDATING INFORMATION



INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors
Bartels Lutheran Retirement Community and Affiliate
Waverly, Iowa

We have audited the consolidated financial statements of Bartels Lutheran Retirement Community and affiliate as of and for the years ended December 31, 2022 and 2021, and our report thereon dated March 24, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, and cash flows of the individual organizations. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RYUN, GIVENS & COMPANY, P.C.

Ryun Givens & Company P.C.
Certified Public Accountants

March 24, 2023

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**SCHEDULE I - CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022**

	Bartels Lutheran Retirement Community	Memorial Foundation of Bartels Lutheran Retirement Community	Subtotal	Eliminating Entries	Consolidated Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 688,327	\$ 53,916	\$ 742,243	\$ -	\$ 742,243
Certificates of Deposit	315,737	-	315,737	-	315,737
Investments	5,294,196	3,381,992	8,676,188	-	8,676,188
Resident Receivables, Net of Allowance for Doubtful Accounts	410,087	-	410,087	-	410,087
Due From Related Party	425	-	425	(425)	-
Prepaid Expenses and Other Current Assets	178,994	18,603	197,597	-	197,597
Total Current Assets	6,887,766	3,454,511	10,342,277	(425)	10,341,852
Assets Limited as to Use	171,007	-	171,007	-	171,007
Property and Equipment:					
Land	2,142,747	-	2,142,747	-	2,142,747
Buildings and Improvements	43,888,101	-	43,888,101	-	43,888,101
Equipment and Furniture	5,391,886	-	5,391,886	-	5,391,886
Construction in Progress	1,227,759	-	1,227,759	-	1,227,759
Total Property and Equipment	52,650,493	-	52,650,493	-	52,650,493
LESS - Accumulated Depreciation	19,676,220	-	19,676,220	-	19,676,220
Net Property and Equipment	32,974,273	-	32,974,273	-	32,974,273
Other Assets:					
Restricted Cash	125,186	13,128	138,314	-	138,314
Certificates of Deposit	126,580	-	126,580	-	126,580
Refundable Advance for Construction	394,638	-	394,638	-	394,638
Right-of-Use Assets for Finance Leases, Net	63,900	-	63,900	-	63,900
Other Assets	102,781	24,653	127,434	-	127,434
Franchise Fees, Net of Accumulated Amortization	177,187	-	177,187	-	177,187
Long-Term Investments Restricted for Endowment	-	2,438,004	2,438,004	-	2,438,004
Total Other Assets	990,272	2,475,785	3,466,057	-	3,466,057
TOTAL ASSETS	\$ 41,023,318	\$ 5,930,296	\$ 46,953,614	\$ (425)	\$ 46,953,189

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**SCHEDULE I - CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022**

	Bartels Lutheran Retirement Community	Memorial Foundation of Bartels Lutheran Retirement Community	Subtotal	Eliminating Entries	Consolidated Total
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Line of Credit	\$ 400,000	\$ -	\$ 400,000	\$ -	\$ 400,000
Current Maturities of Finance Lease Liabilities	18,963	-	18,963	-	18,963
Current Maturities of Long-Term Debt	851,730	-	851,730	-	851,730
Accounts Payable	343,580	8,405	351,985	-	351,985
Due to Related Party	-	425	425	(425)	-
Accrued Salaries and Benefits	539,731	-	539,731	-	539,731
Other Current Liabilities	142,787	-	142,787	-	142,787
Total Current Liabilities	2,296,791	8,830	2,305,621	(425)	2,305,196
Long-Term Liabilities:					
Finance Lease Liabilities, Less Current Maturities	47,801	-	47,801	-	47,801
Long-Term Debt, Less Current Maturities	6,336,538	-	6,336,538	-	6,336,538
Deferred Revenue from Advance Fees	2,762,114	-	2,762,114	-	2,762,114
Refundable Advance Fees	21,905,267	-	21,905,267	-	21,905,267
Deferred Compensation	171,007	-	171,007	-	171,007
Total Long-Term Liabilities	31,222,727	-	31,222,727	-	31,222,727
Total Liabilities	33,519,518	8,830	33,528,348	(425)	33,527,923
Net Assets:					
Without Donor Restrictions:					
Board Designated, Chaplaincy Endowment	-	771,126	771,126	-	771,126
Undesignated	6,945,148	3,470,642	10,415,790	-	10,415,790
Total Net Assets Without Donor Restrictions	6,945,148	4,241,768	11,186,916	-	11,186,916
Net Assets With Donor Restrictions	558,652	1,679,698	2,238,350	-	2,238,350
Total Net Assets	7,503,800	5,921,466	13,425,266	-	13,425,266
TOTAL LIABILITIES AND NET ASSETS	\$ 41,023,318	\$ 5,930,296	\$ 46,953,614	\$ (425)	\$ 46,953,189

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**SCHEDULE II - CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Bartels Lutheran Retirement Community	Memorial Foundation of Bartels Lutheran Retirement Community	Subtotal	Eliminating Entries	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Revenues, Gains and Other Support:					
Resident Service Revenue, Including Amortization of					
Advance Fees	\$ 11,899,751	\$ -	\$ 11,899,751	\$ -	\$ 11,899,751
Investment Income (Loss)	(404,366)	120,313	(284,053)	-	(284,053)
Relief Fund Contributions	-	-	-	-	-
Contributions	388,826	-	388,826	(160,000)	228,826
Other Operating Revenue	53,637	-	53,637	-	53,637
Net Assets Released from Restrictions Used for Operations	223,424	120,000	343,424	(120,000)	223,424
Total Revenues, Gains and Other Support	12,161,272	240,313	12,401,585	(280,000)	12,121,585
Expenses:					
Salaries and Benefits	7,603,815	-	7,603,815	-	7,603,815
Contracted and Outsourced Services	1,636,102	-	1,636,102	-	1,636,102
Food and Departmental Supplies	958,990	-	958,990	-	958,990
Occupancy	1,031,664	312	1,031,976	-	1,031,976
Other Expenses	329,145	280,544	609,689	(280,000)	329,689
Depreciation and Amortization	1,537,708	-	1,537,708	-	1,537,708
Interest and Amortization	254,279	248	254,527	-	254,527
Infrastructure Development	1,326,035	-	1,326,035	-	1,326,035
Total Expenses	14,677,738	281,104	14,958,842	(280,000)	14,678,842
Operating Income (Loss)	(2,516,466)	(40,791)	(2,557,257)	-	(2,557,257)
Change in Net Unrealized Gains (Losses) on Investments	(487,220)	(744,133)	(1,231,353)	-	(1,231,353)
Net Assets Released from Restrictions Used for					
Purchase of Property and Equipment	25,145	-	25,145	-	25,145
Increase (Decrease) in Net Assets Without Donor Restrictions	(2,978,541)	(784,924)	(3,763,465)	-	(3,763,465)

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**SCHEDULE II - CONSOLIDATING STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Bartels Lutheran Retirement Community	Memorial Foundation of Bartels Lutheran Retirement Community	Subtotal	Eliminating Entries	Consolidated Total
NET ASSETS WITH DONOR RESTRICTIONS					
Investment Income	1,823	94,356	96,179	-	96,179
Contributions	264,789	-	264,789	(120,000)	144,789
Change in Net Unrealized Gains (Losses) on Investments	-	(554,642)	(554,642)	-	(554,642)
Net Assets Released from Restrictions	(248,569)	(120,000)	(368,569)	120,000	(248,569)
Increase (Decrease) in Net Assets With Donor Restrictions	18,043	(580,286)	(562,243)	-	(562,243)
Increase (Decrease) in Net Assets	(2,960,498)	(1,365,210)	(4,325,708)	-	(4,325,708)
Net Assets, Beginning of Year	10,464,298	7,286,676	17,750,974	-	17,750,974
Net Assets, End of Year	\$ 7,503,800	\$ 5,921,466	\$ 13,425,266	\$ -	\$ 13,425,266

