**President/Chairman’s Message**

As a member of the continuing care retirement community (CCRC) industry, Brethren Village and other visionary communities are beginning to position themselves to respond to the preferences of the new generation soon to enter our communities. To be successful in serving this new generation, while continuing to tend to the needs of our current residents, will mean stepping back and evaluating how we do business. This will include evaluating those types of services we should be offering and how we should be delivering them.

During this past year, Brethren Village stepped back and made some difficult decisions regarding how we do business. Expense control measures were taken to strengthen our financial position. New team members were added providing a fresh perspective on how to more efficiently operate our ministry. We began to focus on developing new revenue streams for the organization. The steps which were taken are now beginning to demonstrate positive results as evidenced by the solid financial performance of the Village during the first quarter of this current fiscal year.

We also are developing new goals for Brethren Village to accomplish for the upcoming year. These goals will focus on people, service, quality, financial performance, and growth and innovation. These goals which we set will be aggressive and will stretch the organization, but we also know that by concentrating on these core areas, Brethren Village will be in a position to successfully serve the generations to come. Future issues of the Villager will report on the various goals and the progress we are making in achieving them.

Exciting times are ahead for the Village. We recently received word from the United States Department of Housing and Urban Development that we were successful in our application for funding for the construction of a second 60-unit affordable housing apartment building designed for the aging and handicapped on our campus. Construction of these facilities is scheduled to begin as early as fall 2005. We continue dialogue with prospective land lease tenants for the development of 17 acres of property along Airport Road for uses complimentary to the current ministry of the Village. We are poised to approach Manheim Township with a new campus master plan which will define these and other much needed future building projects. And we continue to introduce new wellness initiatives designed to strengthen our residents’ social, emotional, spiritual and physical well being.

Brethren Village will continue to look toward the future without losing focus of the residents we currently serve or the values of the past. We look toward you, our faithful partners in the church and community, to provide valued input regarding the strengths, opportunities and needs of our ministry. Be most assured we are extremely grateful for the support which you provide the Village and hope to have the opportunity to serve you as we continue on our mission of “providing Christ-like care to support the aging process.”

**New Member joins Brethren Village Board**

Steven L. Edris was elected to serve a three-year term on Brethren Village’s Board of Directors at the Village’s annual members meeting on September 16th. Mr. Edris and his wife Marilyn live in Manheim and are members of the East Fairview Church of the Brethren where he teaches Sunday school and serves on the Building Committee. The Edris’ have four children who range in age from 7 to 25 years old.

Since 1983, Mr. Edris has owned and operated Steven L. Edris Custom Contractor. His company specializes in the renovation and construction of new homes and light commercial buildings. He is also a member of the Lancaster Building Industry Association, the Pennsylvania Builders Association, and the National Home Builders Association.
The following condensed financial information represents the statements of operations and balance sheets for Brethren Village and Affiliate for the years ended June 30, 2004 and 2003 as taken from the audited financial statements. My comments will focus on key elements of each financial statement.

**Consolidated Statement of Operations**

Resident service revenues increased over the prior year as a result of higher rates and volumes. We continue to grow the resident service revenues as evidenced by the increase of approximately $1,467,000 or 7.5%

Unrestricted contributions decreased by approximately $193,000 to $567,000 for fiscal 2004. This decrease is attributable to the level of bequests, an unpredictable element of development.

Investment income results improved by approximately $444,000 from fiscal 2003 to fiscal 2004. This large swing is attributable to investment losses in 2003 and slightly better than expected results for 2004. The investment losses reported for fiscal year 2003 included about $126,000 of interest and dividend income; about $163,000 of realized losses on sales of investments; and about $223,000 of realized losses on an “other than temporary” impairment of investments. For comparative purposes, the investment income reported for fiscal year 2004 included about $165,000 of interest and dividend income and about $19,000 of realized gains on sales of investments. There were no “other than temporary” impairments recognized in fiscal 2004.

Throughout the organization, our salaries expense increased approximately 3% as we strive to remain competitive in our wages in a difficult labor market. Additionally, employee benefits for fiscal 2004 were 36% higher than in the prior year or about $780,000. The majority of the increased benefit costs stemmed from our self insured health insurance plan and defined benefit pension plan. Expenses other than salaries and benefits remained relatively flat from year to year, reflecting an increase of about 4%. Interest expense decreased from fiscal 2003 as a result of principal payments reducing the amount of outstanding debt.

**Consolidated Balance Sheet**

The Village’s current assets include a solid cash position as of June 30, 2004 and approximately 24 days in accounts receivable. Our investments reflect the market value as of June 30, 2004 and include investments held in our board designated, workers compensation trust, donor endowment, annuity, and uni-trust funds. During fiscal 2004, Brethren Village was named as a beneficiary in an outside trust whereby we are entitled to receive 10% income distribution perpetually.

The addition of our 10% interest, approximately $729,000, is included in the financial line entitled “Other Assets.”

Included with the liabilities section of the balance sheet is an estimated amount to terminate our interest rate swap agreement held on our 2000 bonds, specifically in the “Annuities and other liabilities” financial line. Because interest rates were bumped up slightly as of June 30th and the debt on which the swap is held is variable in nature, the amount required to terminate the swap agreement has dropped to slightly over $1,000,000. Long term debt was reduced as a result of principal payments on our obligations. Unearned entrance fees dropped by about $289,000 as a result of amortizing more of the unearned portion of entrance fees into income than collecting new entrance fees through unit turnover.

As we move into fiscal year 2005, I look forward to advancing the organization’s vision statement: Enriching each life touched by our ministry so that “living begins with Brethren Village.”
### Condensed Statement of Operations

**Years ended June 30, 2004 and 2003**

<table>
<thead>
<tr>
<th>Revenues, gains, and other support</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident services</td>
<td>$20,855,745</td>
<td>$19,388,948</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>477,473</td>
<td>510,464</td>
</tr>
<tr>
<td>Unrestricted contributions</td>
<td>567,125</td>
<td>760,099</td>
</tr>
<tr>
<td>Investment income</td>
<td>184,277</td>
<td>(259,523)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>500,000</td>
<td>584,550</td>
</tr>
<tr>
<td><strong>Total revenue, gains &amp; other support</strong></td>
<td><strong>$22,584,620</strong></td>
<td><strong>$20,984,538</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>10,375,698</td>
<td>10,115,976</td>
</tr>
<tr>
<td>Benefits</td>
<td>2,965,981</td>
<td>2,186,011</td>
</tr>
<tr>
<td>Other</td>
<td>5,781,987</td>
<td>5,524,907</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,680,652</td>
<td>2,639,823</td>
</tr>
<tr>
<td>Interest</td>
<td>839,835</td>
<td>925,813</td>
</tr>
<tr>
<td>Brethren Services, Inc.</td>
<td>545,989</td>
<td>558,270</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$23,190,142</strong></td>
<td><strong>$21,950,800</strong></td>
</tr>
</tbody>
</table>

**Excess of revenue, gains, and other support over expenses from operations**  
(605,522) (966,262)

### Condensed Balance Sheet

**Years ended June 30, 2004 and 2003**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$4,395,059</td>
<td>$4,652,388</td>
</tr>
<tr>
<td>Investments</td>
<td>12,717,709</td>
<td>12,533,142</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>37,388,836</td>
<td>38,937,358</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,361,151</td>
<td>635,074</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$55,862,755</strong></td>
<td><strong>$56,757,962</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and net assets</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>3,076,626</td>
<td>3,177,413</td>
</tr>
<tr>
<td>Annuities payable &amp; other liabilities</td>
<td>4,879,900</td>
<td>6,050,935</td>
</tr>
<tr>
<td>Long term debt</td>
<td>18,476,268</td>
<td>19,458,380</td>
</tr>
<tr>
<td>Unearned entrance fees</td>
<td>15,615,518</td>
<td>15,904,321</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>42,048,312</strong></td>
<td><strong>44,591,049</strong></td>
</tr>
</tbody>
</table>

| Unrestricted net assets            | 4,314,243  | 3,790,072  |
| Temporarily restricted net assets  | 670,118    | 687,147    |
| Permanently restricted net assets  | 8,830,082  | 7,689,694  |
| **Total liabilities and net assets** | **$55,862,755** | **$56,757,962** |
The generosity of our donors and supporters has a direct and significant impact on those who call Brethren Village home. Thank you for your support.

CHURCHES
Akron Church of the Brethren
Alpha & Omega Fellowship
Blue Ball Church of the Brethren
Brethren Village Chapel
Cocalico Church of the Brethren
Conestoga Church of the Brethren
Coventry Church of the Brethren
East Fairview Church of the Brethren
Elizabethtown Church of the Brethren
Ephrata Church of the Brethren
Floris Church of the Brethren
Hempfield Church of the Brethren
Jennersville Church of the Brethren
Lampeter Church of the Brethren
Lancaster Church of the Brethren
Litzia Church of the Brethren
Mechanic Grove Church of the Brethren
Middle Creek Church of the Brethren
Mohler Church of the Brethren
Mountville Church of the Brethren
New Life Wesleyan Church
Stevens Hill Community Church
Swatara Hill Church of the Brethren
West Green Tree Church of the Brethren
White Oak Church of the Brethren
Wilkinson Church of the Brethren

ORGANIZATIONS
Ashara Lodge No. 398 F&AM
Brethren Village Auxiliary
Calvary Fellowship Auxiliary
Donegal Chapter NSDR

BUSINESSES & FOUNDATIONS
A & L Doors and Specialties, Inc.
Ace Hardware Key-Aid
Amelia's Grocery Outlet
Bard, CCAB, Forney Insurance
Battery Warehouse
Benchmark Constr. Co., Inc.
Binkley & Ober, Inc.
Bloomfield Square Restaurant
Bomberger's Store, Inc.
Brethren Foundation, Inc.
B. R. Kreider & Sons, Inc.
Brothers Trucking Co., Inc.
Calvin J. Wagner, Inc.
Charles F. Snyder Funeral Home
Charles R. Ecker Signs, Inc.
Closter Car Wash & Lube
Community Hospital of Lancaster
Conestoga Animal Hospital, Inc.
CRELS Foundation
David G. Heyse, Inc.
Dean Foods Company
Delta Dental
Derck & Edson Associates
Designs Unlimited
Dutch Valley Food Distributors, Inc.
Engle Printing & Publishing Co.
Ephrata Agway
Ephrata National Bank
Farmers First Bank
Flyway Excavating, Inc.
Forney's R & R
Fosechon Golf Club
Fulton Bank
G. E. Stauffer Concrete, Inc.
Giant Food Stores
Gibbel Insurance Agency, Inc.
Gibbel, Kraybill & Hess
Gibble Foundation, Inc.
Graham's Fy - Fyran
Grohner Industrial Supply
Green Dragon Market & Auction
Greg Heisey, Photographer
Hawthorne Electric, Inc.
HealthGuard of Lancaster, Inc.
Healthy Horizons
Hendrick's Flowers, Inc.
High Industries, Inc.
Hildebrandt Learning Centers
Hoss's Family Steak & Sea House
Intelligencer Printing Co.
Interim Prof Nursing Services
J & J Heating & Cooling, Inc.
J. C. Snively & Sons, Inc.
Jech's & Co.
Kearney A. Snyder Funeral Home
Keller Bros Ford
Kountry Kraft, Inc.
Kreider Friendship Tours, LTD.
Kutz Lesher
L. M. S. Woodcraft
Latta, Davis & Yohe
Lawrence F. Stender, D.D.S.
Litzl Mutual Insurance Co.
Logan Capital Management, Inc.
Lunzer & Co.
M. A. Brightbill Body Works, Inc.
MAB Paints
Manheim Auto Auction
Martin Paving Inc.
Matthew 25 Thrift Shop
Mennonite Foundation, Inc.
Messick Farm Equipment, Inc.
Morefield Communications, Inc.
Murray Insurance Assoc.
Muselman Lumber, Inc.
Myers Furniture
Office of Vocational Rehabilitation
Old Country Buffet
Olive Garden-Italian Restaurant
Oregon Dairy
Parente Randolph
Pro Golf Discount
Professional Insurance Services, Inc.
R. R. Donnelley & Sons Company
Rainbow Dinner Theater
Reese, Lower, Patrick & Scott Architects
Richards’ Energy Group, Inc.
Rohrer’s Quarry, Inc.
Ron Black Agency
Royer Pharmacy
Ruhl Insurance, Inc.
Sauder Chevrolet Co.
Shred It Lancaster
Silk City Diner
Sodexo Senior Services
SOS Corporation
Speedwell Construction, Inc.
StaplesThe Office Superstore
Stauffers of Kissel Hill
Stouffer’s Associates
Swiss Premium Wengers’ Dairy
T. Glenn Horst & Son, Inc.
The Continental Press
The Corner Cut Hair Design
The Hess Agency, Inc.
The Old Mill-Troy/Keystone Ingredients
The Rohrer Company
The Udder Choice, Inc.
Tribeca Integrative Management Assoc.
Turkey Hill Dairy, Inc.
TYCO
US Retail Flowers, Inc.
War & Peace, Inc.
Weaver Precast, Inc.
Weaver’s Garage
Weiser’s Market
Wenger’s Feed Mill, Inc.
Whalen Insurance, Assoc.
Williams Apothecary
Wohlsen Construction Co.
Wolgemuth Lawn & Landscape
Worley & Obez, Inc.

INDIVIDUALS
-A-
Jeanette Asdair
Nita Adams
Nancy Albertson
Lloyd W. Albright
Miran M. Aldinger
Dorothy Allen
Mr. and Mrs. Robert Allen
Gloria Akhouse
Mr. and Mrs. Harry Alwine
Mr. and Mrs. R. Scott Anderson
Anonymous
Rev. Mr. and Mrs. Eric C. Ansbaugh
Mr. and Mrs. David Apple
Carroll J. Apleen
Glady's Arnold
Mr. and Mrs. Joseph Arnold
Candy L. Arter
Coleen Aston
Mr. and Mrs. Charles Adele
Mr. and Mrs. Earl S. Auker
Henry B. Aul
Loretta Aultman
Sara Austin

-B-
Irene M. Bailey
Mary Bair
Rush Bair
Mr. and Mrs. Paul M. Baker
Mr. and Mrs. Elmer C. Bare
Carmella Barr
Dr. Robert Barr
Edward Barto
Mr. and Mrs. Alvin Z. Bashore
Dr. John Batchelor
Mary Bateman
Mr. and Mrs. G. Daniel Baughman
Mr. and Mrs. James Beach
Mr. and Mrs. W. Harold Bealer
Kenneth Beam
Mr. and Mrs. Marvin R. Beck
Mr. and Mrs. Garth D. Becker
H. Naomi Becker
Harold Becker
Mr. and Mrs. Henry Becker
Mr. and Mrs. James Bednar
Mr. and Mrs. Dale Beiler
Calvin Bell
Mr. and Mrs. Gilbert Benson
Mr. and Mrs. Julius Bentman
James Berkebile
Larry Bernhard
Mr. and Mrs. Peter Bertolami
Rev. Charles Bieber
The George S. Bieber Family
Dr. Larien Bieber
Mr. and Mrs. John Biemiller

It's all about working together. Residents, members of the Board of Directors, and team members gathered together to place fencing around an area near the workshop.
2004 Year in Review

Virginia Bishop
Mary Bidler
Mary Ellen Bittinger
Mr. and Mrs. Brian S. Black
Mr. and Mrs. Marie E. Black
Mr. and Mrs. Ronald H. Black
Charlotte Blain
Mr. and Mrs. D. Bryan Blough
Mr. and Mrs. Jacob S. Bollinger
Mr. and Mrs. John H. Bollinger
Dr. and Mrs. Daniel Bomberger
Mr. and Mrs. David Bomberger
Joyce M. Boose
Mr. and Mrs. Kenneth L. Bowers
Marian Bowers
Mr. and Mrs. Lew Bowman
Mr. and Mrs. William R. Culp
A. Jane Crider
Susan Creek
Grace B. Cox
Mr. and Mrs. Denis Cowell
Vera Coulter
Mr. and Mrs. Dennis Cowell
Grace B. Cox
Susan Creek
A. Jane Crider
Mr. and Mrs. William R. Culp
Mr. and Mrs. David Currin
Linda Dagen
Mr. and Mrs. Henry Daniels
Caroline C. Davies
Mr. and Mrs. Robert Davis
Rev. and Mrs. Stanley L. Davis
Mr. and Mrs. Jean L. De Perrot
Jesse Deardoff
June Debolt
E. Jean Deemer
Mr. and Mrs. Gerald W. Brittain
Mr. and Mrs. Jack W. Brinser
Anne Brinser
Mr. and Mrs. Gerald W. Brittain
Mr. and Mrs. Kenneth L. Bowers
Joyce M. Boose
Mr. and Mrs. David Bomberger
Dr. and Mrs. Daniel Bomberger
Mr. and Mrs. John H. Bollinger
Mr. and Mrs. Jacob S. Bollinger
Charlotte Blain
Mr. and Mrs. Ronald H. Black
Mr. and Mrs. Merle E. Black
Mr. and Mrs. Brian S. Black
Mary Ellen Bittinger
Virginia Bishop

2004 Year in Review

containers are located outside the entrance to the store in the Village Center.
Members of the Village’s Memory Walk Team gathered for a group photo. The team raised over $2,000 for Alzheimer’s research.
President Gary Clouser leads one of the popular monthly health walks for residents in the Health Care Center. The Village depends on its volunteers to carry out many of the programs offered to residents. Thank you!
Children in the Day Care Center look forward to spending time in the pool with their volunteer buddies during the summer. Everyone has a good time.