ASBURY COMMUNITIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

YEARS ENDED DECEMBER 31, 2015 AND 2014

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YEARS ENDED DECEMBER 31, 2015 AND 2014

INDEPENDENT AUDITORS' REPORT

Audit Committee
Asbury Communities, Inc.
Germantown, Maryland

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Asbury Communities, Inc. (a Maryland not-for-profit corporation) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations and changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asbury Communities, Inc. and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations, changes in net deficit, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other financial information included in the consolidating balance sheet and consolidating statement of operations and changes in net deficit is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 20, 2016

ASBURY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,529,280	$ 4,875,954
Investments	64,195,774	74,291,668
Accounts Receivable, Net of Allowance for Doubtful Accounts of $3,336,639 and $1,923,309 for December 31, 2015 and 2014, Respectively	8,428,116	6,293,039
Pledges Receivable, Net	240,965	343,186
Other Receivables and Prepaid Expenses	20,134,778	20,520,346
Investments Held under Bond Indenture	15,653,036	15,396,749
Assets Held for Sale	1,151,000	1,367,800
Total Current Assets	113,332,949	123,088,742
Property and Equipment, Net	366,012,388	361,274,807
Investments Restricted by Donors	25,998,909	26,207,036
Long-Term Investments	134,192	134,192
Deferred Costs, Net	8,263,684	9,506,260
Deposits and Other Assets	1,770,660	1,672,489
Other Intangible Assets, Net	2,450,000	-
Investments Held under Bond Indenture	23,786,783	23,780,882
Statutory Reserves	16,681,812	16,493,510
Investments Restricted by Board	3,988,248	4,015,880
Pledges Receivable, Net	693,402	246,102
Funds Held in Trust	1,967,879	1,992,774
Total Assets	$ 565,080,906	$ 568,412,674

See accompanying Notes to Consolidated Financial Statements.

	2015	2014
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 8,942,617	$ 8,464,821
Accrued Compensation and Related Items	14,485,602	12,684,245
Accrued Interest Payable	8,885,352	9,024,646
Obligations under Charitable Gift Annuities	745,963	814,251
Deposits from Prospective Residents	6,266,252	4,095,643
Entrance Fees - Refundable	2,965,907	2,948,806
Deferred Revenue	763,842	796,506
Current Portion of Long-Term Debt	7,615,040	6,680,000
Total Current Liabilities	50,670,575	45,508,918
Long-Term Debt, Net	312,735,130	318,079,314
Projected Refund of Standard Entrance Fees	4,680,521	4,425,942
Contingent Refundable Entrance Fee Liability	248,270,113	248,997,280
Entrance Fees - Deferred Revenue	149,078,915	145,168,401
Valuation of Derivative Instruments	27,411,826	27,275,428
Obligations under Charitable Gift Annuities	3,841,543	4,291,020
Other Long-Term Liabilities	144,576	181,110
Total Liabilities	796,833,199	793,927,413
NET ASSETS (DEFICIT)		
Unrestricted	(262,027,803)	(256,256,479)
Temporarily Restricted	3,433,863	4,589,291
Permanently Restricted	26,841,647	26,152,449
Total Net Deficit	(231,752,293)	(225,514,739)
Total Liabilities and Net Deficit	$ 565,080,906	$ 568,412,674

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES, GAINS AND OTHER SUPPORT		
Net Resident Service Revenue	$ 160,680,084	$ 144,116,739
Other Operating Revenue	7,899,852	8,217,416
Amortization of Entrance Fees	20,249,769	19,038,732
Interest and Dividend Income, Net	3,597,719	3,290,133
Net Realized Gain on Investments	1,479,477	1,117,809
Proportionate Share of Gains in Equity Interests Funds	86,630	361,715
Contributions	1,880,206	2,242,437
Net Assets Released from Restrictions Used for Operations	234,376	282,895
Total Revenues, Gains and Other Support	196,108,113	178,667,876
EXPENSES		
Salaries	79,320,290	69,903,012
Employee Benefits	16,595,599	14,691,330
Cost of Goods Sold	285,059	527,174
Contract Labor	13,020,101	11,733,624
Food Purchases	7,203,374	6,927,600
Medical Supplies and Other Resident Costs	6,088,547	5,506,162
General and Administrative	8,506,465	7,811,922
Building and Maintenance	17,932,126	16,992,052
Professional Fees and Insurance	1,620,267	1,503,888
Interest	20,683,698	21,081,303
Taxes	3,988,773	2,770,936
Provisions for Bad Debts	1,827,814	266,263
Depreciation and Amortization	28,110,270	26,305,832
Total Expenses	205,182,383	186,021,098
Loss from Operations Prior to Net Unrealized Gain Loss on Change in Market Value of Derivative Instruments, Inherent Contribution, Loss on Sale of Assets and Loss on Retirement of Debt	(9,074,270)	(7,353,222)
Net Unrealized Loss on Change in Market Value of Derivative Instruments	(136,398)	(6,089,531)
Inherent Contribution	7,534,904	-
Loss on Sale of Assets	(23,553)	(95,689)
Loss on Retirement of Debt	-	(46,545)
Loss from Operations	(1,699,317)	(13,584,987)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
UNRESTRICTED NET DEFICIT		
Loss from Operations	$ (1,699,317)	$ (13,584,987)
Net Assets Released from Restrictions Used for Purchases of Capital Items	1,775,183	581,690
Net Unrealized Loss on Investments	(5,847,190)	(445,893)
Net Increase in Unrestricted Net Deficit	(5,771,324)	(13,449,190)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	854,131	1,362,273
Net Assets Released from Restrictions for Operations	(234,376)	(282,895)
Net Assets Released from Restrictions Used for Purchases of Capital Items	(1,775,183)	(581,690)
Net Increase (Decrease) in Temporarily Restricted Net Assets	(1,155,428)	497,688
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	764,262	811,412
Changes in Value of Obligations under Charitable Gift Annuities	(75,064)	87,852
Net Increase in Permanently Restricted Net Assets	689,198	899,264
INCREASE IN NET DEFICIT	(6,237,554)	(12,052,238)
Net Deficit - Beginning of Year	(225,514,739)	(213,462,501)
NET DEFICIT - END OF YEAR	$ (231,752,293)	$ (225,514,739)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Deficit	$ (6,237,554)	$ (12,052,238)
Adjustments to Reconcile Increase in Net Deficit to		
Net Cash Provided by Operating Activities:		
Provision for Bad Debts	1,827,814	266,263
Depreciation and Amortization	28,110,270	26,305,832
Amortization of Entrance Fees	(20,249,769)	(19,038,732)
Net Proceeds from Nonrefundable Entrance and Advance Fees	26,419,130	29,240,460
Inherent Contribution	(7,534,904)	-
Net Unrealized Loss on Investments	5,847,190	445,893
Proportionate Share of Gains in Equity Interests Funds	(86,630)	(361,715)
Net Unrealized Losses on Change in		
Market Value of Derivative Instruments	136,398	6,089,531
Changes in Value of Obligations under Charitable Gift Annuities	292,013	95,711
Restricted Contributions Received	(1,618,393)	(2,173,685)
Loss on Retirement of Debt	-	46,545
Loss on Sale of Assets	23,553	95,689
Changes in Assets and Liabilities:		
Accounts Receivable	(3,296,841)	(116,196)
Other Receivables and Prepaid Expenses	(1,793,625)	747,098
Deferred Entrance Fees	2,337,238	(7,363,246)
Deposits and Other Assets	118,629	696,491
Pledges Receivable, Net	(345,079)	(190,642)
Deferred Revenue	(35,672)	(408,053)
Accounts Payable and Accrued Expenses	1,269,909	(432,311)
Accrued Interest Payable	(139,294)	(191,147)
Net Cash Provided by Operating Activities	25,044,383	21,701,548
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(26,521,818)	(25,512,180)
Funds Held in Trust	24,895	2,852,366
HCBS Home Health Acquisition	(1,250,000)	-
CCNC Cash Received Upon Affiliation	1,605,491	-
Sales (Purchases) of Investments, Net	4,120,603	(28,058,369)
Net Cash Used by Investing Activities	(22,020,829)	(50,718,183)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	$ 26,388,782	$ 34,879,698
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(26,932,507)	(24,532,167)
Restricted Contributions	1,618,393	2,173,685
Proceeds from Issuance of Debt	2,385,879	15,945,239
Change in Other Long-Term Liabilities	(36,534)	(48,548)
Payments on Long-Term Debt	(6,984,463)	(22,304,999)
Payments for Deferred Financing Costs	-	(246,634)
Payments on Obligations under Charitable Gift Annuities	(809,778)	(905,211)
Net Cash Provided (Used) by Financing Activities	(4,370,228)	4,961,063
DECREASE IN CASH AND CASH EQUIVALENTS	(1,346,674)	(24,055,572)
Cash and Cash Equivalents - Beginning of Year	4,875,954	28,931,526
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,529,280	$ 4,875,954
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 20,912,657	$ 21,320,533

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Asbury Communities, Inc. (ACOMM or the Company), was organized on August 1, 1994, as a Maryland not-for-profit organization to provide executive and comprehensive administrative functions, as well as policy and overall planning guidance, to its supported organizations. ACOMM serves as the supporting organization of Asbury Atlantic, Inc. (Asbury Atlantic); Asbury Solomons, Inc. (AS); Inverness Village, an Oklahoma not-for-profit Corporation (IV); Asbury Communities HCBS, Inc. (HCBS); and Calvert County Nursing Center (CCNC). ACOMM is the sole voting stockholder of The Asbury Group, Inc. (TAG). Additionally, ACOMM is the sole member of Asbury Foundation, Inc. (AFOUND).

Asbury Atlantic, Inc. (Asbury Atlantic) – is a not-for-profit, non-stock corporation organized under the laws of the State of Maryland. Asbury Atlantic has operating segments comprised of Asbury Methodist Village (AMV), Bethany Village (BV) and Springhill (SH).

- AMV is a continuing-care retirement community (CCRC) in Gaithersburg, Maryland. A CCRC consists of independent living, assisted living, and skilled-nursing units. A CCRC provides a continuum of care that includes housing, healthcare, and other related health-care and lifestyle services to seniors.

- BV is a CCRC located in Mechanicsburg, Pennsylvania.

- SH is a CCRC located in Erie, Pennsylvania.

AS – is a not-for-profit, non-stock corporation organized under the laws of the State of Maryland. AS is a CCRC located in Solomons, Calvert County, Maryland.

IV – is a not-for-profit, non-stock corporation organized under the laws of the State of Oklahoma. IV is a CCRC located in greater metropolitan Tulsa, Oklahoma.

HCBS – is a not-for-profit, non-stock corporation organized under the laws of the State of Maryland. HCBS was organized in 2011 to provide in-home services. On March 20, 2015, HCBS purchased the assets of a Medicare certified home health provider and began providing home health services insured by Medicare, Medicaid, and commercial insurance.

CCNC – On March 1, 2015, Calvert County Nursing Center, Inc. (CCNC), a tax-exempt, Maryland non-stock corporation, became an affiliate of the Company, by ACOMM serving as the supporting organization for CCNC. CCNC is a 149-bed, Medicare and Medicaid certified, skilled nursing provider located in Prince Frederick, Maryland, within the same county as AS.

AFOUND – is a not-for-profit, non-stock corporation organized under the laws of the State of Maryland. AFOUND is a supporting organization established to promote charitable giving from available resources to help fund the charitable programs of AMV, AS, BV, SH, IV, and HCBS. ACOMM is the sole member of AFOUND.

NOTE 1 ORGANIZATION (CONTINUED)

TAG – was organized in 2006 as a for-profit Delaware corporation and provides management, marketing, finance, and technological support services to both affiliated and nonaffiliated continuing-care retirement communities. In addition, TAG provides comprehensive information technology services and support to all affiliated entities of the Company. TAG is a wholly owned subsidiary of ACOMM. On July 1, 2008, TAG formed TAG Integrated Technologies, LLC and TAG Marketing, LLC as Delaware limited liability companies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ACOMM and its affiliates, Asbury Atlantic, AS, IV, HCBS, AFOUND, TAG and CCNC (collectively referred to as the Company). All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts held in checking and savings accounts, money market accounts, and short-term certificates of deposit with original maturities of 90 days or less. Cash balances are principally uninsured and subject to normal credit risks.

Accounts Receivable and Contractual Allowances

The Company's policy is to write off all resident accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for accounts not yet written off, which are estimated to become uncollectible in future periods.

Under the Medicare and Medicaid reimbursement and other third-party agreements, amounts collected for services to patients under these agreements are computed at contractually agreed-upon rates. Accounts receivable have been adjusted to reflect the difference between charges and the reimbursable amounts under these third-party contracts. Revenues from Medicare and Medicaid programs and other third-party agreements accounted for approximately 26% and 21% of the Company's total net resident service revenues for the years ended December 31, 2015 and 2014, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable and Fund Held in Trust

Contributions to be received after one year are discounted at an appropriate discounted rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Funds held in trust are amounts where the Company does not serve as trustee and amounted to $1,967,879 and $1,992,774 as of December 31, 2015 and 2014, respectively. It is the policy of the company to record such assets only when the Company's interest is deemed to be irrevocable by the management and where there is sufficient information to quantify a fair and accurate valuation. The Company's beneficial interest is recorded at the discounted present value of the gift. When the proceeds from these assets are received, the amount received is used for purposes designated by the donor, if any.

Investments and Investment Income

Substantially all investments are held in investment pools with ACOMM. The investment pools are comprised of equity securities or equity mutual funds, bonds or bond mutual funds, cash and private equity funds. The equity securities, mutual funds and bonds have readily determinable market values, and their related unrealized gains or losses are recorded below the income (loss) from operations. The investments are managed by an investment advisor (the Advisor) and are comprised of approximately 97% direct investment in cash, equity securities, equity mutual funds, bonds or bonds mutual funds and 3% in private equity funds. In addition, investments held under bond indenture with trustees are high grade income securities.

The private equity funds (referred to as equity interests funds) are accounted for at fair value using the equity method of accounting. Accordingly, the investment return from these funds is included as proportionate share of gains in equity interests funds within the income (loss) from operations in the accompanying consolidated statements of operations and changes in net deficit. The financial statements of the equity interests funds are used as a basis for recognizing each affiliate share of investment losses that are determined by the funds' manager on the basis of market valuations provided by independent pricing services when such prices are believed by the funds' manager to reflect the fair value of such securities.

If market quotations are not readily available for a security or if subsequent events suggest that a market quotation is not reliable, the funds will use the security's fair value, using consistently applied procedures established by and under the general supervision of the funds' manager. This generally means that equity securities and fixed income securities listed and traded principally on any national securities exchange are valued on the basis of the last sale price or, lacking any sales, at

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

the closing bid price, on the primary exchange on which the security is traded. The funds' manager may involve subjective judgments as to the fair value of securities. The use of fair value pricing by the funds may cause the net asset value of fund units to differ significantly from the net asset value that would be calculated using current market values.

Accordingly, valuations do not necessarily represent the amounts that might be realized from sales or other dispositions of investments, nor do they reflect taxes or other expenses that might be incurred upon disposition. Mortgage loans held by the underlying funds have been valued on the basis of principal and interest payment terms discounted at currently prevailing interest rates for similar investments. Because of the inherent uncertainty of valuations of the investments held by the underlying funds, their estimated values may differ significantly from the values that would have been used had a ready market for these investments existed, and the differences could be material.

Investment returns and related activity are allocated to each affiliate based on their proportion of their underlying holdings. The portion of investments that is available to fund current operating activities is included in current assets in the accompanying consolidated balance sheets. Donated investments are reported at their fair values at date of receipt.

Investment income or loss from equity securities, mutual funds and bonds includes interest and dividends, net of investment management fees; realized gains and losses on investments; and any provision for other-than-temporary impairment of investments and are included in income (loss) from operations. Investment income or loss is included in income (loss) from operations unless restricted by donor or law. Unrealized gains and losses on investments with readily determinable market values are excluded from income (loss) from operations, unless the losses are deemed to be other-than-temporary.

ACOMM periodically evaluates whether any declines in the fair values of investments are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to length of time and extent that a security has been in an unrealized loss position, the existence of an event that would impair the issuer's future earnings potential, the near-term prospects for recovery of the market value of a security and the intent and ability of ACOMM to hold the security until the market value recovers. Declines in fair value below cost that are deemed to be other-than-temporary are recorded as realized losses in the accompanying consolidated statements of operations and changes in net deficit.

The investment policy of ACOMM provides a balance of long-term growth and preservation of capital of the assets while managing a core segment of assets in a manner specifically designed to meet the ongoing capital requirements of the Company and other requirements specified under the terms of its financing agreements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Return Objectives and Risk Parameters

The objective of ACOMM's investments policy is to maximize long-term real return commensurate with the risk parameters specified by the board and the preservation of capital requirement. The policy includes target asset allocations with diversification of asset classes with differing rates of return, and volatility to manage risks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Company relies on an investment strategy that allocates its investments among a number of asset classes. These asset classes may include: domestic equity, domestic fixed income, international equity, cash equivalents, and other alternative strategies and products. The purpose of allocating among asset classes is to ensure the proper level of diversification to achieve the portfolio's investment objectives. The Company feels that this investment strategy meets the Organization's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle. In order to ensure that ACOMM continues to meet its objectives, the Company has established rebalancing guidelines and established mechanisms for ongoing monitoring of performance and risk.

Derivatives Policy

The Company manages its exposure to interest rate volatility through use of interest rate swap contracts. These contracts qualify as derivative financial instruments. The book values of the derivative instruments are adjusted to their estimated fair values at each balance sheet date. The Company has determined that, for continuing operations, the Company's derivatives do not meet the criteria for hedge accounting and, therefore, the change in fair value of all of the derivative instruments are included within the Company's performance indicator, income (loss) from operations.

Investments Restricted by the Board

Investments restricted by the Board include assets set aside by the Board of Directors (the Board) for benevolent care. The Board retains control of these assets and may, at its discretion, subsequently use them for other Board-designated purposes.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at fair market value at the date of the gift. Improvements that materially extend the useful lives of the assets are capitalized. General repairs and maintenance costs are expensed as incurred. The Company capitalizes all expenditures for property and equipment costing $1,000 or more and having useful lives greater than two years or more.

Interest costs incurred on borrowed funds and deferred financing costs during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Costs

The following is a summary of deferred costs:

	Estimated Life	2015	2014
Deferred Marketing Costs	Life Expectancy of Initial Residents	$ 2,695,705	$ 3,609,795
Deferred Financing Costs	Term of the Bond Issue	5,567,979	5,896,465
Deferred Costs, Net		$ 8,263,684	$ 9,506,260

Direct-marketing costs were associated with acquiring initial residential contracts and are deferred and amortized using the straight-line method over the estimated life expectancy of the initial residents. The amortization expense on deferred marketing costs was $914,090 and $1,120,830 for the years ended December 31, 2015 and 2014, respectively. There were no additions to deferred marketing for the years ended December 31, 2015 and 2014.

Deferred financing costs represent expenses (e.g. underwriting, legal, consulting, and other costs) incurred in connection with issuance of debt and are deferred and amortized over the life of the related indebtedness on a straight-line basis, which approximates the effective-interest method. In conjunction with the issuance of the Series 2014 MD Bonds, the Company recorded deferred financing costs of $246,634 and wrote off $46,545 of unamortized financial costs related to the refinancing in 2009. The amortization expense on deferred financing costs was $331,024 and $337,914 for the years ended December 31, 2015 and 2014, respectively.

Advertising Expenses

The cost of advertising is expensed when incurred and included within the general and administrative financial statement line item within the consolidated statements of operations and changes in net deficit. Advertising expense was $1,154,635 and $1,367,655 for the years ended December 31, 2015 and 2014, respectively.

Other Intangible Assets

The Company recorded $1,250,000 of intangible assets from the HCBS' purchase of the assets of a Medicare-certified home health provider on March 20, 2015, and $1,200,000 of intangible assets from the affiliation of CCNC on March 1, 2015 for the skilled nursing beds Certificate of Need. Intangible assets are recorded at their estimated fair market value. Management periodically assesses the fair value of its intangible assets and has not recorded any impairment since their origination.

Deposits from Prospective Residents

Deposits from prospective residents are refundable until such time as the prospective resident executes a residency agreement and pays the balance of the entrance fee. Interest earned on these deposits belongs to the Company.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Continuing-Care and Life Care Contracts

The Company offers continuing-care contracts to its residents. These contracts include residential facilities, meals and other amenities, as well as priority access to long-term nursing care. Prior to 2015, IV offered life care contracts, which include unlimited long-term care in an assisted-living or skilled-nursing health center at little or no increase in fees.

Obligation to Provide Future Services

The Company calculates the present value of the cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from resident entry fees to determine if a liability and corresponding charge to income should be recorded. As of December 31, 2015 and 2014, the present value of the net cost of future services and use of facilities does not exceed the deferred revenue from resident entry fees and, as such, no liability for the obligation to provide future services was required to be recorded as of December 31, 2015 and 2014.

Accrued Compensation and Related Items

The accrued compensation and related items include accruals as a result of having consolidated payroll and benefit functions and a reserve for the self-funding arrangement for workers compensation insurance coverage. See Note 14 for additional information on workers compensation insurance.

Revenue Recognition

The Company offers four types of resident entrance-fee options: a standard declining refund option, a 50% refundable option, a 90% refundable option and a 100% refundable option. Previously, BV offered an additional standard nine-year declining refund and a 25% refundable option, and IV offered a standard declining refund, and a 95% refundable and a Life Care option. The options currently offered to incoming residents vary among AMV, AS, BV, IV and SH. All resident entrance fees are expected to be paid-in-full upon occupancy. Refunds of entrance fees for termination prior to occupancy are made within 30 days for AMV, AS, BV and SH, and 60 days for IV.

Under the standard declining refund option, the entrance fee is amortized over a period of five years resulting in an entrance fee refund balance that declines 1.667% per month over the five year period. After that period, the refund is fully amortized and there is no refundable portion. Under the 50% refundable, 90% refundable and 100% refundable contracts, residents pay a higher entrance fee in order to guarantee a specific percentage refund of the entrance fee upon termination of the Residency Agreement. In most cases, payment of an entrance fee refund is contingent upon a successor resident taking possession of the original residential unit.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

At IV, for contracts entered into prior to January 1, 2010, the receipt of the successor entrance fee can be for like units but the receipt of successor entrance fees must aggregate to equal the amount of the refund provided. At SH, for contracts dated prior to June 30, 2004, the refund occurs upon the receipt of a successor entrance fee or one year from termination date.

Refundable entrance fees are recorded in the accompanying consolidated balance sheets as current liabilities. The nonrefundable entrance fees are classified as deferred revenue and are recognized as revenue on a straight-line basis over each individual resident's expected remaining life. Remaining life expectancies are determined based on current actuarial data specific to CCRC residents. Upon termination of a contract through death or withdrawal after occupancy, any unamortized, nonrefundable, deferred entrance fee is recorded as income.

The gross amounts of refund obligations are summarized below and are categorized as refundable entrance fees and standard entrance fees. The contingent refundable entrance fees are fixed in their amount but are refundable upon the receipt of a successor entrance fee, except at SH as noted above. Standard entrance fees are refundable upon termination of occupancy and the amount of refund is based upon the length of stay in the community.

A summary of net entrance fees is as follows:

	2015	2014
Entrance Fees - Refundable	$ 2,965,907	$ 2,948,806
Contingent Refundable Entrance Fee Liability	$ 248,270,113	$ 248,997,280
Entrance Fees - Deferred Revenue		
25% to 95% Refundable Contracts	$ 9,783,724	$ 9,306,684
Standard Entry Fee Option Contracts:		
Five-Year Contracts	133,977,851	128,299,282
Nine-Year Contracts	5,181,642	6,192,604
100-Month Contracts	4,816,219	5,795,773
Total	153,759,436	149,594,343
Less Projected Refund of Standard Entrance Fees	(4,680,521)	(4,425,942)
Total	$ 149,078,915	$ 145,168,401
Total Entrance Fees	$ 400,314,935	$ 397,114,487

The portions of the above entrance fees that continue to be subject to any contractual refund obligation as of December 31, 2015 and 2014 were $315,025,358 and $314,139,635, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Company also records revenue related to resident room and board, which, depending on the facility and contract type, could also include housekeeping, laundry, dining services and future healthcare costs. Revenue for physical, occupational, and speech therapy, as well as health personal care and social ancillary charges, is also recorded. Revenue is recognized when services are performed.

Revenue from management and professional services operated with TAG's employees is recognized when services are rendered under management contracts or at the time specific milestones have been reached under development contracts based on the terms of the agreements. The management and professional services revenue is included in other operating revenue.

Charity Care

It is the Company's policy to track those expenses for residents in its facilities who cannot pay for all or a portion of their care and defines these expenses as charity care. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reflected as revenue in the accompanying consolidated financial statements. See Note 4 for the benevolent and charity care amounts provided to residents for the years ended December 31, 2015 and 2014.

Contributions

Unconditional promises to give cash and other assets to the Company are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with contribution-donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net deficit as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations and changes in net deficit. Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inherent Contributions

The Company recognized an inherent contribution related to the March, 1, 2015 affiliation with CCNC. The Company did not pay any consideration as a part of the affiliation. The following amounts were recorded as a result of the affiliation:

Cash	$ 1,605,492
Accounts Receivable	666,050
Other Receivables and Prepaid Expenses	158,043
Property and Equipment, Net	5,300,000
Deferred Costs, Net	2,538
Other Intangible Assets, Net	1,200,000
	$ 8,932,123
Accounts Payable and Accrued Expenses	$ 1,009,242
Deferred Revenue	3,008
Long-term Debt	384,968
Unrestricted Net Assets	7,534,905
	$ 8,932,123

There were no significant adjustments to the amounts recorded to conform to accounting policies.

Net Assets and Endowment Funds

The Company classifies its funds for accounting and reporting purposes as either unrestricted, temporarily restricted or permanently restricted. The Company has adopted an enacted version of the *Uniform Prudent Management of Institutional Funds Act*, which requires enhanced disclosures for all endowment funds.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those that have been limited by donors to a specific time period or purpose. Temporarily restricted net assets are primarily available to purchase equipment, provide charity care and for other health and educational services.

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is unrestricted and has been expended to support benevolent care provided by the Company. These assets are pooled with the Company's unrestricted investment portfolio with the objectives of providing long-term growth of capital and maximizing the return on assets over the long-term while diversifying investments within asset classes to reduce the impact of losses in single investments.

Income (Loss) from Operations

The accompanying consolidated statements of operations and changes in net deficit include income (loss) from operations. Changes in unrestricted net assets (deficit), which are excluded from income (loss) from operations, consistent with industry practice, include unrealized gains and losses on investments (except for investments accounted for under the equity method), and net assets released from restriction used for purchase of capital items.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

ACOMM and affiliates, except TAG, are exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC); accordingly, no provision for income taxes is required as there are no unrelated trades or businesses. TAG and related entities are organized as for-profit entities and are subject to federal and state income taxes. Income taxes for TAG and related entities are recorded as deferred tax assets and liabilities in the accompanying consolidated balance sheets to reflect temporary book and tax differences.

The Company has implemented processes to ensure compliance with the Internal Revenue Service intermediate sanctions provisions for all its supported organizations, including the Company. This includes an independent review by the Board's compensation committee of all compensation arrangements with disqualified persons and outside compensation consultants to provide independent third-party review and advisement, and the implementation of a detailed conflict-of-interest policy and annual disclosure process for all disqualified persons. The compensation committee also hires outside counsel to advise the Company on compliance.

The tax benefit from an uncertain tax position must be recognized only if it is more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company's reassessment of its tax positions did not have a material impact on the Company's results of operations or financial position.

The Company's income tax returns are subject to review and examination by federal, state, and local authorities. The Company is not aware of any activities that would jeopardize its tax-exempt status.

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Company emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, the Company may be required to record, at fair value, other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. The Company has determined that there would be no impact to the accompanying financial statements as a result of the application of this standard. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

The Company also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Company has not elected to measure any existing financial instruments at fair value, however may elect to measure newly acquired financial instruments at fair value in the future.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 20, 2016, the date the consolidated financial statements were issued.

NOTE 3 REGULATORY ENVIRONMENT

Medicare and Medicaid

Laws and regulations governing the Medicare and Medicaid programs are 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. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegation of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Skilled Nursing Facility Services

Medicare Reimbursement

The Balanced Budget Act of 1997 modified how payment is made for Medicare skilled nursing facility (SNF) services. SNF's are reimbursed on the basis of a prospective payment system (PPS). The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing-covered SNF services (routine, ancillary, and capital-related costs).

Maryland Medicaid Reimbursement

Under the Maryland Medical Assistance Program's (Maryland Medicaid) case-mix reimbursement system, the determination of reimbursement rates for nursing costs is based upon a recipient's dependency in activities of daily living and need for the receipt of ancillary nursing services. On January 1, 2015 Maryland Medicaid initiated a PPS basis of reimbursement with plans to phase in over two years. Maryland providers will receive a blended rate until phase-in completion. Final settlements are determined after submission of annual cost reports and audits thereof by the Maryland Medicaid program. The cost report for 2015 estimated Medicaid settlements are subject to verification leading to final settlements.

Pennsylvania Medicaid Reimbursement

The Commonwealth of Pennsylvania pays nursing facilities a prospective daily rate for medical assistance residents. The daily rate is set annually based on data in the three most recently filed cost reports. The rate comprises three net operating components (resident care, other resident-related, and administrative) and one capital component. The net operating components are based on the facilities' actual net operating costs per day and limited by peer-group ceilings. Resident-care operating costs are adjusted to reflect the acuity level of the facility's residents through a case-mix index. The case-mix index is measured quarterly, and the annual rate is adjusted for any changes on a quarterly basis.

The Commonwealth of Pennsylvania updates payment rates to nursing homes on July 1 of each year. The rates are scheduled to be updated each quarter for the most recent case-mix index for a facility's Pennsylvania Medicaid residents and rebased annually on July 1 of each year. The Pennsylvania Medicaid rates for the period July 1, 2015 through December 31, 2015 have not been finalized, and the Company has utilized estimated rates in the preparation of the financial statements.

The capital component is based upon the facilities' fair rental value. Typically, the daily rate paid to the nursing facility is considered payment in full with no end-of-year settlements.

Medical Home Health Services

HCBS is entitled to Medicare and Medicaid payments for certain patient charges at rates determined by Federal and State Governments. Differences between established billing rates and payments from these programs are recorded as contractual adjustments to patient service revenue. Retroactive changes in reimbursement resulting from final determination by the state Medicaid authority or fiscal intermediaries are reflected as changes in estimates, generally in the year of determination. In the opinion of management, adequate provision has been made for adjustments, if any, that may result from such reviews.

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Other

The Company has implemented a system wide voluntary compliance program instituted by ACOMM. This program is based on the elements of an effective program identified by the Office of Inspector General of the Department of Health and Human Services. The program includes a dedicated compliance officer, Board of Directors oversight, written policies and procedures, a code of conduct, continuous education, periodic auditing, and an associate hotline.

State of Maryland Reserve Requirement

The State of Maryland requires AMV and AS to set aside reserves equal to 15% of its net operating expenses (as defined) for the most recent fiscal year. As of December 31, 2015 and 2014, AMV and AS are in compliance with the reserve requirement. The total amount reserved for AMV as of December 31, 2015 and 2014 is as follows:

	2015	2014
Maryland Department of Aging Reserves:		
Operating Expenses	$ 80,393,576	$ 78,758,870
Less: Depreciation and Amortization Expense	(12,649,894)	(11,890,419)
Interest Expense	(7,965,676)	(8,275,910)
Net Operating Expenses	59,778,006	58,592,541
Total Operating Reserve (15% of Net Operating Expenses)	8,966,701	8,788,881
Required Reserves for the Year Ended December 31st (100% of Total Operating Reserve)	8,966,701	8,788,881
Cash and Marketable Securities Available for Operating Reserve	$ 8,966,701	$ 8,788,881

The total amount reserved for AS as of December 31, 2015 and 2014 is as follows:

	2015	2014
Maryland Department of Aging Reserves:		
Operating Expenses	$ 19,143,086	$ 19,171,117
Less: Depreciation and Amortization Expense	(2,904,928)	(2,751,456)
Interest Expense	(2,475,455)	(2,598,726)
Net Operating Expenses	13,762,703	13,820,935
Total Operating Reserve (15% of Net Operating Expenses)	2,064,405	2,073,140
Required Reserves for the Year Ended December 31st (100% of Total Operating Reserve)	2,064,405	2,073,140
Cash and Marketable Securities Available for Operating Reserve	$ 2,064,405	$ 2,073,140

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements

On a calendar year basis, BV is required by the Continuing Care Provider Registrations and Disclosure Act of 1984 to maintain a working-capital reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loans or 10% of the projected annual operating expenses, exclusive of depreciation and bad debt, computed only on the proportional share of financing or operating expenses that are applicable to residents of BV under continuing care agreements. The projected annual debt service requirements for BV for the years ended December 31, 2015 and 2014, exceeded 10% of BV's projected operating expense (as defined) equal to $2,154,414 and $2,125,104 as of December 31, 2015 and 2014, respectively.

BV's minimum liquid reserve was as follows:

	2015	2014
Projected Annual Debt Service Payments	$ 6,669,169	$ 6,667,823
Approximate Percentage of Continuing-Care Clients	69%	69%
Minimum Liquid Reserve Requirement	$ 4,601,727	$ 4,600,798

SH must adhere to the same reserve requirements. At SH, projected annual debt service requirements exceed 10% of its projected annual operating expenses equal to $1,427,313 and $1,371,878 as of December 31, 2015 and 2014, respectively. SH's minimum liquid reserve was as follows:

	2015	2014
Projected Annual Debt Service Payments	$ 1,808,584	$ 1,808,230
Approximate Percentage of Continuing-Care Clients	58%	57%
Minimum Liquid Reserve Requirement	$ 1,048,979	$ 1,030,691

Pennsylvania statute also requires that all 10% deposits made by future residents of units be held in escrow. These funds are held in cash and cash equivalents.

NOTE 4 NET RESIDENT SERVICE REVENUE

Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered.

NOTE 4 NET RESIDENT SERVICE REVENUE (CONTINUED)

A summary of gross and net resident service revenue is as follows:

	2015	2014
Gross Resident Service Revenue	$184,171,060	$166,362,891
Less Provisions for:		
Contractual Allowance under Third-Party Reimbursement Programs	(20,628,886)	(20,083,545)
Benevolent and Charity Care	(2,862,090)	(2,162,607)
Net Resident Service Revenue	$160,680,084	$144,116,739

Approximately 26% and 21% of net resident service revenue for the years ended December 31, 2015 and 2014, respectively, were derived under federal and state reimbursement programs.

NOTE 5 CONCENTRATION OF CREDIT RISK

The Company grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	2015	2014
Private Pay	55%	59%
Medicaid	14%	12%
Medicare	21%	16%
Other (Primarily Managed Care and Insurance)	10%	13%
Total	100%	100%

NOTE 6 INVESTMENTS

The investment portfolios, including assets whose use is limited and investments restricted by Board at fair value, consisted of the following:

	2015	2014
Investments:		
Cash and Short-Term Investments	$ 5,798,531	$ 3,976,517
Fixed-Income Securities and Mutual Funds	26,815,556	33,386,278
Equity Securities and Equity Mutual Funds	30,104,535	34,789,184
Equity Interests Funds	1,477,152	2,139,689
Investment in Land	134,192	134,192
Total Investments	$ 64,329,966	$ 74,425,860
Investments Restricted by Donors:		
Cash and Short-Term Investments	$ 2,146,382	$ 1,335,091
Fixed-Income Securities and Mutual Funds	10,648,175	11,294,158
Equity Securities and Equity Mutual Funds	12,402,341	12,617,889
Equity Interests Funds	603,060	752,228
Real Estate Mutual Funds	198,951	207,670
Total Investments Restricted by Donors	$ 25,998,909	$ 26,207,036
Statutory Reserves:		
Cash and Short-Term Investments	$ 16,218,405	$ 15,943,547
Equity Interests Funds	463,407	549,963
Total Statutory Reserves	$ 16,681,812	$ 16,493,510
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	$ 39,439,819	$ 39,177,631
Total Investments Held under Bond Indenture	$ 39,439,819	$ 39,177,631
Investments Restricted by Board:		
Cash and Short-Term Investments	$ 344,401	$ 211,242
Fixed-Income Securities and Mutual Funds	1,692,687	1,810,073
Equity Securities and Equity Mutual Funds	1,849,938	1,867,704
Equity Interests Funds	101,222	126,861
Total Investments Restricted by Board	$ 3,988,248	$ 4,015,880

At December 31, 2015 and 2014, the equity interests funds were comprised of private equity funds.

NOTE 6 INVESTMENTS (CONTINUED)

Assets limited as to use held by trustee under bond indenture are maintained for the following purposes as of December 31:

	2015	2014
Debt-Service Fund	$ 15,654,597	$ 15,397,526
Debt-Service Reserve Fund	23,785,222	23,780,105
Total	39,439,819	39,177,631
Less: Current Portion	(15,653,036)	(15,396,749)
Long-Term Portion of Bond Indenture	$ 23,786,783	$ 23,780,882

The total return on investments, along with investments classified as assets whose use is limited and investments restricted by Board, including the change in the market value of derivative instruments, generated net investment income excluding capitalized interest income as follows:

	2015	2014
Included within the Company's Performance Indicator:		
Interest and Dividend Income, Net	$ 3,597,719	$ 3,290,133
Net Realized Gains on Investments	1,479,477	1,117,809
Proportionate Share of Gains in Equity Interests	86,630	361,715
Net Unrealized Loss on Change in Market Value of Derivative Instruments	(136,398)	(6,089,531)
	5,027,428	(1,319,874)
Included in Other Changes in Net Deficit:		
Other Unrealized Loss on Investments	(5,847,190)	(445,893)
Total	$ (819,762)	$ (1,765,767)

Interest and dividend income is presented net of capitalized interest income related to construction projects.

ACOMM engages professionals to manage its investment portfolio within guidelines of ACOMM's Board-approved investment policy. Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the market value has been less than cost. During the years ended December 31, 2015 and 2014, the Company did not identify any other than temporary declines in the fair value of investments.

NOTE 7 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	Useful Life	2015	2014
Land and Improvements	10 - 40 Years	$ 48,762,092	$ 44,278,678
Buildings and Improvements	10 - 40 Years	575,529,209	547,432,855
Furniture and Equipment	2 - 15 Years	73,794,970	68,856,578
Construction in Progress		4,060,379	3,911,016
		702,146,650	664,479,127
Less Accumulated Depreciation		(336,134,262)	(303,204,320)
Property and Equipment, Net		$ 366,012,388	$ 361,274,807

Depreciation expense was $27,061,223 and $25,016,643 for the years ended December 31, 2015 and 2014, respectively.

Interest is capitalized for assets that require a period of time to be constructed or to prepare them for their intended use. For the years ended December 31, 2015 and 2014 the amount of interest expense capitalized was $82,814 and $74,791, respectively.

Included in construction in progress at December 31, 2015 is approximately $1,560,000 of renovation costs for the BV auditorium that were initiated during 2015. The project is expected to be completed in 2016 with a total cost of approximately $5,000,000.

NOTE 8 PLEDGES RECEIVABLE

Pledges receivable were recorded at their net present value using an estimated discounted rate and consisted of the following:

	2015	2014
Amounts Expected to be Collected in:		
Less than One Year	$ 240,965	$ 343,186
One Year to Five Years	682,346	213,746
Six Years to Nine Years	11,056	32,356
Total	$ 934,367	$ 589,288

Pledges receivable were recorded net of reserve for uncollectible pledges of $105,733 and $66,670 as of December 31, 2015 and 2014, respectively.

AFOUND and BV are the beneficiaries of various charitable gift annuities created by donors, the assets for which AFOUND and BV are not the advisors. AFOUND and BV have legally enforceable rights on claims to such assets after the donor’s or current beneficiary’s death. The present value of these funds held in trust by others, based on the donor’s or current beneficiary’s life expectancy, is recorded as a permanently restricted net asset.

NOTE 8 PLEDGES RECEIVABLE (CONTINUED)

Obligations related to charitable gift annuities issued by AFOUND and BV are recorded at the present value of the future interest payments based on the donor's life expectancy. Amounts donated in excess of the liability are recorded as temporarily restricted or permanently restricted donations in the consolidated statements of operations and changes in net deficit. The present value of the liability is determined by discounting estimated future payments at the adjusted federal rate. This rate is adjusted annually and was 1.67% and 1.51% at December 31, 2015 and 2014, respectively. Changes in the present value of the liability are shown as changes in values of charitable gift annuities in the consolidated statements of operations and changes in net deficit.

AFOUND is required by Maryland state law to maintain segregated assets for all annuities issued in an amount at least equal to the sum of its outstanding charitable gift annuities liability discounted to present value. At December 31, 2015 and 2014, AFOUND had segregated $6,391,188 and $6,466,177 as investments restricted by donors in the accompanying consolidated balance sheets as of December 31, 2015 and 2014, respectively and, therefore, has met its minimum reserve requirement at December 31, 2015 and 2014. BV is not subject to any requirements under the Commonwealth of Pennsylvania.

NOTE 9 DEBT

Long-term debt consisted of the following:

	Interest Rate	Maturity Dates	2015	2014
Series 2014 A MD Bonds	Fixed (5.0%)	2020 - 2021	$ 15,165,000	$ 15,290,000
Series 2013 IV Bonds	Fixed Rate Revenue Bonds	2019 - 2037	24,110,000	24,110,000
Series 2012 IV Bonds	Fixed Rate Revenue Bonds	2012 - 2032	43,000,000	44,790,000
Series 2012 PA Bonds	Fixed Rate Revenue Bonds	2014 - 2036	50,694,999	51,174,999
Series 2010 PA Bonds	Fixed Rate Revenue Bonds	2012 - 2045	70,155,000	71,325,000
Series 2009 B MD Bonds	Fixed Rate Revenue Bonds	2011 - 2023	29,760,000	32,875,000
Series 2006 A MD Bonds	Fixed Rate Revenue Bonds	2023 - 2036	82,780,000	82,780,000
			315,664,999	322,344,999
Unamortized Bond Premium			2,218,248	2,414,315
Current Portion Bonds Payable			(7,075,000)	(6,680,000)
Total Bonds Payable			310,808,247	318,079,314
BV Note Payable			2,206,696	-
CCNC Note Payable			260,227	-
			2,466,923	-
Current Portion Notes Payable			(540,040)	-
Total Notes Payable			1,926,883	-
Total Long Term Debt			$ 312,735,130	$ 318,079,314

NOTE 9 DEBT (CONTINUED)

Series 2014 Maryland (MD) Bonds

On April 9, 2014, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg (the "Authority"). Under this agreement, the Authority issued $15,290,000 of Economic Development Refunding Revenue Bonds (Asbury Maryland Obligated Group), Series 2014 (referred to as the "Series 2014 MD Bonds"). The Series 2014 MD Bonds are comprised of1) $1,515,000 of 5.0% fixed rate long term bonds with a yield of 4.25% over the life of the issuance and 2) $13,775,000 of 5.0% fixed rate long term bonds with a yield of 4.25% over the life of the issuance.

The proceeds of the Series 2014 Bonds, which were sold at a premium, were utilized to fully refund $16,000,000 of the Series 2009A MD Bonds.

The respective bond agreements require certain funds to be established and maintained by the bond trustee.

Series 2013 Inverness (IV) Bonds

On July 10, 2013, Inverness Village entered into a loan agreement with The Oklahoma Development Finance Authority (the "Authority") pursuant to which the Authority sold the Series 2013 bonds. From the proceeds, the Company borrowed $24,110,000 of Continuing Care Retirement Community Revenue Refunding Bonds (Inverness Village Community), Series 2013 (referred to as the "Series 2013 IV Bonds"). The Series 2013 IV Bonds are comprised of 1) $950,000 of 5.5% term bonds with a fixed rate of 5.5% with a yield of 5.7% over the life of the issuance and 2) $23,160,000 of 5.75% term bonds with a fixed rate of 5.75 and with a yield of 5.875%.

The proceeds of the bonds and cash reserves were used to refund the outstanding portion of the 2007A Bonds, to fund the required debt service reserve fund and the debt service fund, and to pay for certain costs of issuance of the Series 2013 IV bonds.

As required by the bond agreements, the Company established various reserve funds from the proceeds of the bonds. The respective bond agreements require certain funds to be established and maintained by the bond trustee.

Series 2012 Pennsylvania (PA) Bonds

On October 1, 2012, Asbury Pennsylvania Obligated Group entered into a loan agreement with Cumberland County Municipal Authority (the "Authority') pursuant to which the Authority sold the Series 2012 bonds. From the proceeds, the Company borrowed $51,640,000 of Refunding Revenue Bonds (Asbury Pennsylvania Obligated Group), Series 2012, referred to as the "Series 2012 PA Bonds"). The Series 2012 PA Bonds are comprised of 1) $945,000 of Serial Bonds bearing interest at fixed rates of 2.4% and 2.6% with the same yield over the life of the issuance, 2) $995,000 of 3.0% term bonds with a fixed rate of 3.0% and a yield of 3.225%, 3) $2,935,000 of 5.0% term bonds with a fixed rate of 5.0% and a yield of 4.32%, 4)$3,845,000 of 5.25% term bonds with a fixed rate of 5.25% and a yield of 4.7%, 5) $10,065,000 of 5.25% term bonds with a fixed rate of 5.25% and a yield of 4.85%, and 6) $32,855,000 of 5.25% term bonds with a fixed rate of 5.25% and a yield of 5.1%.

NOTE 9 DEBT (CONTINUED)

Series 2012 Pennsylvania (PA) Bonds (Continued)

The proceeds of the Series 2012 Bonds were used to refund the remaining Series 2006 PA Bonds outstanding, to fund a deposit to the Combined Debt Service Reserve Fund on the PA Bonds and to pay a portion of the costs of issuance of the Series 2012 PA Bonds. As required by the bond agreements, the Company established various reserve funds from the proceeds of the bonds. The respective bond agreements require certain other funds to be established and maintained by the bond trustee.

Series 2012 Inverness (IV) Bonds

On May 1, 2012, Inverness Village entered into a loan agreement with The Oklahoma Development Finance Authority (the "Authority") pursuant to which the Authority sold the Series 2012 bonds. From the proceeds, the Company borrowed $47,130,000 of Continuing Care Retirement Community Revenue Refunding Bonds (Inverness Village Community), Series 2012 (referred to as the "Series 2012 IV Bonds"). The Series 2012 IV Bonds are comprised of 1)$13,825,000 of Serial Bonds bearing interest at fixed rates between 3.0% and 5.25% with a yield ranging from 3.0% and 5.0% over the life of the issuance, 2) $1,000,000 million of 3.5% term bonds with a fixed rate of 3.5% and with a yield of 3.8%, 3) $2,000,000 of 4.5% term bonds with a fixed rate of 4.5% and with a yield of 4.8%, 4) $5,385,000 of 5.25% term bonds with a fixed rate of 5.25% and with a yield of 5.25%, 5) $5,860,000 of 5.75% term bonds with a fixed rate of 5.75% and with a yield of 5.4% and 6) $19,060,000 of 6.0% term bonds with a fixed rate of 6.0% and with a yield of 5.69%.

The proceeds of the bonds were used to refund a portion of 2007A Bonds, to fund the required debt service reserve fund and the debt service fund, and to pay for certain costs of issuance of the Series 2012 IV bonds.

As required by the bond agreements, the Company established various reserve funds from the proceeds of the bonds. The respective bond agreements require certain other funds to be established and maintained by the bond trustee.

Series 2010 Pennsylvania (PA) Bonds

On November 10, 2010, the Asbury Pennsylvania Obligated Group entered into a loan agreement with Cumberland County Municipal Authority (the "Authority") pursuant to which the Authority sold the Series 2010 bonds. From the proceeds, the Company borrowed $74,630,000 of Municipal Refunding Revenue Bonds (Asbury Pennsylvania Obligated Group), Series 2010 (referred to as the "Series 2010 Bonds") The Series 2010 Bonds are comprised of 1) $14,180,000 of Serial Bonds bearing interest at fixed rates between 3.0% and 5.4% with a yield ranging between 3.1% and 5.55% over the life of the issuance; 2) $14,160,000 of 6% term bonds at a fixed rate of 6% and with a yield of 6.05%; 3) $14,025,000 of 6% term bonds at a fixed rate of 6% and with a yield of 6.17%; and 4) $32,265,000 of 6.125% term bonds at a fixed rate of 6.125% and with a yield of 6.25%. BV and SH have allocated the liability for payment on the bonds in an amount equal to the proportion of the bonds used to refund debt at each respective facility.

NOTE 9 DEBT (CONTINUED)

Series 2010 Pennsylvania (PA) Bonds (Continued)

The proceeds of the Series 2010 Bonds were utilized to refund a portion of the Series 2006 PA Bonds and all of the Series 2008 PA Bonds, to fund the debt service reserve fund to required levels and to pay a portion of the costs of issuance of the Series 2010 Bonds. As required by the bond agreements, the Company established various reserve funds from the proceeds of the bonds. The respective bond agreements require certain other funds to be established and maintained by the bond trustee.

Series 2009A Maryland (MD) Bonds

On November 30, 2009, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg (the "Authority"). Under this agreement, the Authority issued $16,000,000 of Economic Development Revenue Bonds (Asbury Maryland Obligated Group- AMV Construction Project), the "Series 2009A" Bonds. The proceeds of the Series 2009A Bonds were utilized to 1) finance the construction and improving of at least 23 residential units on the campus of Asbury Methodist Village, 2) to pay interest to accrue on the Series 2009A Bonds. These bonds are designated as construction financing and mature within five years of their issuance. The Series 2009A Bonds bear interest at a fixed rate of 6.0%.

As required by the bond agreements, the Obligated Group established various reserve funds from the proceeds of the bonds. The respective bond agreements require certain other funds to be established and maintained by the bond trustee.

On April 9, 2014, the Series 2009A MD Bonds were refunded from the proceeds of the Series 2014 MD Bonds.

Series 2009B Maryland (MD) Bonds

On December 16, 2009, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg, Maryland Economic Development Authority (the "Authority") pursuant to which the Authority sold the Series 2009B bonds. From the proceeds, the Organization borrowed $43,820,000 of Economic Development Refunding Revenue Bonds (Asbury Maryland Obligated Group), Series 2009B (referred to as the "Series 2009B Bonds"). The Series 2009B Bonds are comprised of 1) $28,175,000 of Serial Bonds bearing interest at fixed rates between 5.0% and 5.65% with a yield ranging between 3.5% and 5.75% over the life of the issuance and 2) $15,645,000 of 6% term bonds at a fixed rate of 6% and with a yield of 6.1%. AMV and AS have allocated the liability for payment on the bonds in an amount equal to the proportion of the bonds used to refund debt at each respective facility.

The proceeds of the Series 2009B Bonds were utilized to refund the Series 2006B and 2006C Bonds, to fund the debt service reserve fund to required levels and to pay a portion of the costs of issuance of the Series 2009B Bonds.

As required by the bond agreements, the Company established various reserve funds from the proceeds of the bonds. The respective bond agreements require certain other funds to be established and maintained by the bond trustee.

NOTE 9 DEBT (CONTINUED)

Series 2006 Maryland (MD) Bonds

On November 1, 2006, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg, Maryland Economic Development Authority (the "Authority") pursuant to which the Authority sold the Series 2006 bonds. From the proceeds, the Obligated Group borrowed $130,565,000 of Economic Development Refunding Revenue Bonds (Asbury Maryland Obligated Group), Series 2006 (referred to as the "Series 2006 Bonds"), which was comprised of $82,780,000 of Series 2006A Bonds, $17,880,000 of Series 2006B Bonds, and $29,905,000 or Series 2006C Bonds.

On December 16, 2009, the Series 2006B and Series 2006C Bonds outstanding were refunded from the proceeds of the Series 2009B Bonds. The fixed rate Series 2006A Bonds remain outstanding as of December 31, 2014.

The Series 2006A Bonds bear interest at a fixed rate of 5.125% with a yield ranging between 4.670% and 4.770% and mature with varying annual amounts through year 2036. AMV and AS have allocated the liability for payment on the bonds in an amount equal to the proportion of the bonds used to refund debt at each respective facility.

Liens and Covenants

Collateral for the debt includes the trustee-held funds, a first mortgage lien on the Company's real estate, as well as a security interest in the Company's assets, accounts receivable, general intangibles, chattel paper, and certain other items.

Under the Inverness Village loan agreements, the lenders have a first lien and claim on all receipts of Inverness Village, except the restricted donations and contributions. The terms of the indenture agreements restrict Inverness Village's ability to create additional indebtedness, restrict its use of facilities, and require Inverness Village to maintain stipulated insurance coverage. Additionally, the Inverness Village covenants require that it will fix, charge, and collect in each fiscal year amounts sufficient to meet a defined debt-service coverage ratio, and will maintain a minimum days of cash-on-hand ratio.

Under the Maryland Master Loan Agreements, the lenders have a first lien and claim on all receipts of the Maryland Obligated Group, except the restricted donations and contributions. The terms of the indenture agreements restrict the Company's ability to create additional indebtedness, restrict its use of AMV and AS facilities, and require the Maryland Obligated Group to maintain stipulated insurance coverage. Additionally, the Maryland Obligated Group covenants require that it will fix, charge, and collect in each fiscal year amounts sufficient to meet a defined debt-service coverage ratio for the obligated group and will maintain a minimum days of cash-on-hand ratio. In addition, ACOMM has agreed to contribute cash to the Maryland Obligated Group under certain circumstances and has agreed to maintain a minimum days of cash-on-hand ratio.

NOTE 9 DEBT (CONTINUED)

Liens and Covenants (Continued)

Under the Pennsylvania Master Loan Agreements, the lenders have a first lien and claim on all receipts of the Pennsylvania Obligated Group, except the restricted donations and contributions. The terms of the indenture agreements restrict the Company's ability to create additional indebtedness; restrict its use of SH and BV facilities; and require the Pennsylvania Obligated Group to maintain stipulated insurance coverage. Additionally, the Pennsylvania Obligated Group covenants require that it will fix, charge, and collect in each fiscal year amounts sufficient to meet a defined annual debt-service coverage ratio for the obligated group and will maintain a minimum days of cash-on-hand ratio. In addition, ACOMM has agreed to contribute cash to the Pennsylvania Obligated Group under certain circumstances and has agreed to maintain a minimum days of cash-on-hand ratio.

The Company is subject to various covenants under the bond agreements. These covenants include various reporting, financial, and operational requirements. As of December 31, 2015, management is not aware of any noncompliance with these covenants.

BV Note Payable

On January 16, 2015, Asbury Atlantic purchased approximately 29 acres of land adjacent to Bethany Village in Mechanicsburg, Pennsylvania, for a total purchase price of $3,464,880. Of the total purchase price, $2,429,990 was seller financed with a promissory note for five years at a fixed interest rate of 3.75%, which is secured by a lien on the land.

CCNC Note Payable

CCNC has a loan agreement with PNC Bank which is secured by a second deed of trust on the building. The loan bears interest at 3.75% per annum and requires monthly installments of principal and interest of $8,208 through February 2019. At the time of the affiliation, the remaining note payable balance was $340,967.

Debt Maturities

A schedule of minimum maturities of debt for the next five years and thereafter is as follows:

Year Ending December 31,		Amount
2016	$	7,615,040
2017		7,945,577
2018		8,031,866
2019		8,280,645
2020		8,423,798
Thereafter		277,834,996
Total	$	318,131,922

NOTE 10 DERIVATIVE INSTRUMENTS

The Company's affiliates entered into various swap and forward-rate purchase agreements with certain investment companies, which reduce their exposure to volatility of interest rates on debt. Under these agreements, beginning on the effective date, the Company's affiliates pay a fixed rate of interest, as noted in the table below, while the investment company pays the affiliate based on a floating rate as derived from a tax-exempt bond rate index or a percentage of London Interbank Offered Rate (LIBOR). The floating rate resets every seven days. The difference between the fixed and floating rates is accrued and recorded in interest expense or interest income in the accompanying consolidated statements of operations and changes in net deficit. The notional amounts decline over time to hedge the interest rate exposure for the Company. These agreements are with investment companies that have investment grade credit ratings from Standard & Poor's and Moody's. These agreements have provisions that if the investment company falls below certain investment grade ratings, the investment company is required to either obtain a replacement investment company or post collateral equal to or more than the value of the derivative instrument.

Asbury Atlantic entered into a Forward Contract concurrent with the issuance of the Series 2006 bonds. Under this agreement, Asbury Atlantic pays a fixed rate of interest of 5.128% and receives payments based on a floating rate based upon 68% of LIBOR. Payments on this Forward Contract agreement began on January 1, 2013 and terminate on January 1, 2041. AS entered into an interest rate basis swap in August 2001. AS pays a fixed rate of interest based on a floating rate derived from the Securities Industry and Financial Markets Association Municipal Swap Index and receives payments based on a floating rate based upon 73.5% of LIBOR. The interest rate swap agreement terminates on January 1, 2027.

Lehman Brothers Special Financing, Inc. (Lehman SFI) is the investment company or counterparty in both of these derivative agreements. The derivative obligations are guaranteed by Lehman Brothers Holding Company. Lehman SFI entered into bankruptcy in early October 2008 following its ultimate parent entering bankruptcy in mid-September 2008.

On March 16, 2012, AS and Asbury Atlantic executed novation agreements to a new entity, 1271 Counterparty Company, LLC. This company is newly established for the purpose of holding the AS and Asbury Atlantic swaps, and other derivative instruments. Deutsche Bank AG, London Branch will be stepping into the shoes of Lehman Brothers Holding Company, as the guarantor.

Interest rate swap payments have begun under the Forward Contract and $3,437,261 and $3,580,115 of payments were made during 2015 and 2014, respectively. Interest rate swap receipts under the Interest Rate Swap were received in the amounts of $25,184 and $14,840 during 2015 and 2014, respectively. All differences between the fixed and floating rates on the AS interest rate basis swap were accrued and recorded in interest expense or interest income in 2015 and 2014. All of the material terms of the swaps remain unchanged from the original swap agreements.

NOTE 10 DERIVATIVE INSTRUMENTS (CONTINUED)

The following schedule outlines the terms and fair market values of the derivative instruments on December 31, 2015 and 2014:

	Series 2006 Asbury Atlantic (MD) Forward Contract	AS Interest Rate Swap	Total
Notional Amount - December 31, 2015	$ 68,451,500	$ 22,385,000	
Trade Date	12/8/2006	8/13/2001	
Effective Date	1/1/2013	8/23/2001	
Termination or Cancellation Date	1/1/2041	1/1/2027	
Fixed Rate	5.128%	5.540%	
Fair Value at December 31, 2013	(20,839,284)	(346,613)	$ (21,185,897)
Unrealized Gain (Loss)	(6,240,960)	151,429	(6,089,531)
Fair Value at December 31, 2014	(27,080,244)	(195,184)	(27,275,428)
Unrealized Gain (Loss)	(341,569)	205,171	(136,398)
Fair Value at December 31, 2015	$ (27,421,813)	$ 9,987	$ (27,411,826)

The Company has included the fair market value of these derivative instruments as a liability of $27,411,826 and $27,275,248 in the accompanying consolidated balance sheets as of December 31, 2015 and 2014, respectively.

Net unrealized gains (losses) on derivative instruments was $136,398 and $(6,089,531) in 2015 and 2014, respectively.

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	2015	2014
Benevolent and Charity Care	$ 623,051	$ 524,997
Buildings, Equipment and Supplies	2,810,812	4,064,294
Total Temporarily Restricted Net Assets	$ 3,433,863	$ 4,589,291

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, totaling $26,841,647 and $26,152,450 as of December 31, 2015 and 2014, respectively, consist of investments to be held in perpetuity. Investment income earned from the permanently restricted net assets is available for operations of the supported organizations including funding of benevolent and charity care.

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Interpretation of Relevant Law

Maryland adopted the State Prudent Management of Institutional Funds Act (the Act) effective in 2008. The board of directors of the Company has interpreted the Act 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 Company classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. For the years ended December 31, 2015 and 2014, the Company's investment income earned on endowment funds, in the absence of donor restrictions, was used to fund a portion of the cost to provide benevolent care to residents.

Substantially all investments are held in investment pools with ACOMM. The investment policies, objectives, and strategies are consistent with those used in the management of unrestricted investments and disclosed in Note 2 of these financial statements.

A summary of the permanently restricted net assets is as follows:

	2015	2014
Endowment Fund - Beginning of Year	$ 26,152,449	$ 25,253,185
Contributions	764,262	811,412
Changes in Value of Obligations under Charitable Gift Annuities	(75,064)	87,852
Endowment Fund - End of Year	$ 26,841,647	$ 26,152,449

NOTE 13 RETIREMENT PLAN

ACOMM has a defined-contribution plan (the Plan) under IRC Section 401(k). All full-time employees of the Company are eligible to participate in the Plan. Employees may elect to defer up to $18,000 of their base salary, subject to certain limitations. The employer's basic contribution is 3% of compensation for each eligible employee. ACOMM will also match the employee's contribution up to 1% of the employee's base salary. The employer's contribution expense for the years ended December 31, 2015 and 2014 was $2,253,837 and $2,066,474, respectively.

NOTE 14 COMMITMENTS AND CONTINGENCIES

General and Professional Liability Insurance

ACOMM and its affiliates have a general and professional liability insurance policy ("GL/PL"), which is claims-made based. The GL/PL coverage has a limit of $1,000,000 per occurrence and a $3,000,000 annual aggregate. ACOMM and its affiliates also have excess coverage in effect with a limit of $10,000,000 per claim and a $30,000,000 annual aggregate. This policy has been renewed through December 31, 2016. Any losses for general and professional liability not currently covered by insurance in force are not expected to be material to the financial statements.

Caring Communities, a reciprocal Risk Retention Group

In 2009, ACOMM and its affiliates began participating in an insurance risk retention group, Caring Communities, a reciprocal Risk Retention Group ("CCrRRG") licensed by the District of Columbia for purposes of obtaining the following insurance coverage: (1) primary general and professional liability; (2) excess general and professional liability; and (3) excess auto liability. CCrRRG provides insurance coverage to its members, which are not-for-profit, predominantly faith-based, senior housing and healthcare providers. These members include continuing care retirement communities, affordable housing providers, and other organizations that offer a mix of product and services, including independent living, assisted living and skilled nursing. In December 2015, CCrRRG was affirmed as a rating of "A (Excellent)" for its financial strength with a stable outlook by A.M. Best Co., one of the leading rating agencies.

ACOMM executed a subscription agreement and has made capital contributions in exchange for an interest in a CCrRRG Charter Capital Account. The capital contributions are annually scheduled over a period of seven years, beginning December 31, 2009 and ending December 31, 2015. In December 2014, ACOMM accelerated and paid the final 2015 capital contribution installment. Through December 31, 2015 and 2014, ACOMM's capital contributions were $560,508 which represents 3.43% of CCrRRG's total Charter Capital. The percentage of the total Charter Capital may be affected by the future addition of members to CCrRRG.

Workers Compensation Insurance

The Company and its affiliates, excluding BV which is covered under a separate church group Workers Compensation Trust, have entered into a self-funding arrangement for workers compensation coverage beginning February 1, 2013. The plan is administered by an insurance carrier and backed by a standby letter of credit from the Company's financial institution. The Company is responsible for funding employer liability losses, including allocated loss adjustment expenses, to a maximum of $250,000 per incident and $2,525,000 in the aggregate per policy year. Third-party stop-loss insurance coverage is in place for losses that exceed these amounts. As of December 31, 2014 and 2015, a reserve amount has been recorded related to this plan as calculated by an external actuary. The actuary based this reserve amount on historical claims and an estimate of incurred but not reported claims, including allocated claim adjustment expenses. The total workers compensation expense, included in Employee Benefits, includes incurred claims and a reserve. Costs are allocated to the Company and each affiliate based on an average of reported claims considering the allocation of the direct and shared risk pool. The insurance policy has been renewed through January 31, 2017.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Health Insurance

The Company and its affiliates have a self-funding arrangement for health insurance coverage. ACOMM and affiliates have stop-loss coverage up to $160,000 per participant and an annual aggregate of approximately 125% of expected claims with a maximum reimbursement of $2,000,000 per year. The annual aggregate fluctuates based on the number of participants and is calculated based on historical claims information. The insurance policies have been renewed through July 31, 2016.

Legal Actions and Claims

The Company is party to various legal actions and claims arising in the ordinary course of its business. The Company's management believes that their ultimate disposition will not have material adverse effect on the Company's consolidated financial position or results of operations.

Energy Contract

In May 2014, the Company and its affiliates established a comprehensive energy procurement and management program with a facilities management company. The Company and its affiliates entered into an Energy Agreement with a facilities management service company to procure electricity, water, sewer, and natural gas to the affiliates for a fixed flat amount of $7,200,000 annually for the next five years beginning on May 1, 2014. This amount also provides utility expense management services, energy audits, and energy project management services to be performed by the facilities management service company for the Company and its affiliates. In connection with this Energy Agreement, the Company and its affiliates have agreed to spend $200,000 annually on energy saving capital purchases to improve energy consumption by the Company and its affiliates.

Lease Commitments

The Company and its affiliates have leases for vehicles and office equipment, which expire in 2020, and a ground lease that expires on August 1, 2039. Generally, the leases carry renewal provisions and require the Company and its affiliates to pay maintenance costs. Total lease expense for the years ended December 31, 2015 and 2014 was $1,980,635 and $1,769,200, respectively.

The future rental commitments for noncancelable operating leases are as follows:

Year Ending December 31,	Amount
2016	$ 1,432,319
2017	1,089,890
2018	464,235
2019	353,807
2020	231,874
Thereafter	939,355
Total	$ 4,511,480

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In December 2006, ACOMM entered into a 10-year and three months noncancelable office lease agreement for approximately 19,600 square feet of office in Germantown, Maryland, to be used as the Company's corporate office. In accordance with the lease agreement, the term of the lease began in May 2007 once the landlord completed certain improvements to the office space. ACOMM will pay annual base rent payments ranging from $400,898 to $523,081. These commitments are included in the future rental commitments payments above.

In April 2014, TAG executed a lease agreement for approximately 6,800 square feet of office space in Mechanicsburg, Pennsylvania, to house its Data Center. The term of the lease is for 10 years at an annual base rent of $122,060, with a provision for an annual base rental increase of 3 percent. The lease agreement includes a one-time right of early termination between the end of the 54th month of the lease and no later than the end of the 59th month of the lease, for which termination will be effective six months from the date of the notice.

Construction Commitments

As of December 31, 2015, the Company and its affiliates had outstanding construction commitments of approximately $6,500,000 for renovation projects that were in progress. Of this total outstanding commitment, approximately $3,700,000 was related to renovations of the Health Care Center at AMV and approximately $2,800,000 was related to renovations of the auditorium at BV.

NOTE 15 FUNCTIONAL EXPENSES

The Company provides continuing and long-term care for the aging. Expenses related to providing these services were as follows:

	2015	2014
Continuing and Long-Term Care	$ 144,611,008	$ 128,038,373
General and Administrative	60,571,375	57,982,725
Total Functional Expenses	$ 205,182,383	$ 186,021,098

Included in general and administrative expenses are depreciation and amortization, interest, management fees, technology fees, and other general and administration expenses.

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, prepaid expenses and other assets, pledges receivable net, accounts payable and accrued expenses, and accrued interest payable approximate fair value given the short-term nature of the financial instruments. The following methods and assumptions were used by the Company in estimating the fair value of other financial instruments.

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments, Assets Whose Use Is Limited and Board-Designated Funds

Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Bonds Payable

The fair value of fixed rate bonds are estimated based upon discounted cash flows using a discount rate commensurate with the Company's borrowing rate as of the balance sheet date. The estimated fair value of the bonds payable was $330,865,249 and $339,491,347 as of December 31, 2015 and 2014, respectively.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

The Company primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observability of those inputs.

The Company's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Also, the time between inception and performance of the contract may affect the fair value. The determination of fair value may, therefore, affect the timing of recognition of revenues and net income.

The determination of the fair values incorporates various factors required under fair value accounting. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), but also the impact of the Company's nonperformance risk on its liabilities.

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include equity securities and mutual funds, fixed-income securities, mutual funds, and bonds.

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

Liabilities utilizing Level 2 inputs are derivatives. A quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability, thus derivative instruments are classified within Level 2 of the valuation hierarchy.

Assets utilizing Level 3 inputs are pledges receivable, net. There are unobservable inputs for this asset, thus pledges receivable are classified within Level 3 of the valuation hierarchy.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2015 and 2014.

	At Fair Value as of December 31, 2015			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Equity Securities and Mutual Funds	$ 44,356,814	$ -	$ -	$ 44,356,814
Fixed-Income Securities and Mutual Funds	39,156,418	-	-	39,156,418
Other	198,951	-	934,367	1,133,318
Liabilities				
Derivative Instruments	$ -	$ (27,411,826)	$ -	$ (27,411,826)

	At Fair Value as of December 31, 2014			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Equity Securities and Mutual Funds	$ 49,274,777	$ -	$ -	$ 49,274,777
Fixed-Income Securities and Mutual Funds	46,490,509	-	-	46,490,509
Other	207,670	-	589,288	796,958
Liabilities				
Derivative Instruments	$ -	$ (27,275,428)	$ -	$ (27,275,428)

NOTE 17 INCOME TAXES

The components of the taxable subsidiaries' (benefit) provision for income taxes for the years ended December 31, 2015 and 2014 consist of the following:

	2015	2014
Current:		
Federal	$ -	$ -
State	7,288	4,976
Total Current	7,288	4,976
Deferred:		
Federal	(121,709)	(142,464)
State	45,605	(50,983)
Total Deferred	(76,104)	(193,447)
Total	$ (68,816)	$ (188,471)

The components of deferred tax assets and liabilities at December 31, 2015 and 2014 are as follows:

	2015	2014
Net Operating Loss Carryforwards	$ 480,994	$ 462,548
Accrued Paid Time-Off Benefits	247,535	241,181
Accrued Health Insurance	54,061	24,941
Rent	19,535	28,477
Deferred Revenue	21,031	15,157
Prepaid Insurance	(4,935)	(4,405)
Depreciation	(274,157)	(271,829)
Amortization	61,937	70,480
Federal Benefit of State Deferred	(23,593)	(39,099)
Provision for Bad Debt	20,528	-
Accrued Workers Compensation	2,201	-
Total	605,137	527,451
Valuation Allowance	-	-
Deferred Tax Asset	$ 605,137	$ 527,451

The effective tax rate of the taxable subsidiaries differs from the statutory federal tax rate of 20.8% primarily due to the impact of current year NOLs and resulting benefit thereof. In 2015 and 2014, the calculation of deferred taxes resulted in an income tax benefit.

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015

ASSETS	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury Communities HCBS, Inc	Asbury Foundation, Inc.	The Asbury Group, Inc.	Calvert County Nursing Center	Eliminations	Consolidated Balance
CURRENT ASSETS												
Cash and Cash Equivalents	$ 358,051	$ 104,813	$ 241,089	$ 716,478	$ 741,178	$ 1,010,220	$ 97,960	$ -	$ 82,389	$ 177,102	$ -	$ 3,529,280
Investments	30,660,845	23,155,620	8,735	3,714,642	660,668	5,961,699	-	7,955	25,610	-	-	64,195,774
Accounts Receivable, Net	-	3,240,913	433,004	901,208	677,564	457,987	1,162,219	-	465,222	1,089,999	-	8,428,116
Pledges Receivable, Net	-	-	-	-	-	-	-	240,965	-	-	-	240,965
Other Receivables and Prepaid Expenses	156,709	10,454,334	2,290,420	2,466,341	760,195	2,968,300	26,242	135,352	1,069,464	32,421	(225,000)	20,134,778
Investments Held under Bond Indenture	-	4,097,653	2,766,313	4,006,210	1,084,316	3,698,544	-	-	-	-	-	15,653,036
Assets Held for Sale	-	-	-	-	-	-	-	1,151,000	-	-	-	1,151,000
Total Current Assets	31,175,605	41,053,333	5,739,561	11,804,879	3,923,921	14,096,750	1,286,421	1,535,272	1,642,685	1,299,522	(225,000)	113,332,949
Due from ACOMM, Net	6,283,917	34,128,932	-	51,096	-	-	-	6,555,416	-	-	(47,019,361)	-
Property and Equipment, Net	376,340	147,672,204	47,388,614	85,625,378	19,370,541	60,394,671	156,518	36,145	2,049,914	5,331,022	(2,388,959)	366,012,388
Investments Restricted by Donors	-	-	-	9,695,295	-	-	-	16,303,614	-	-	-	25,998,909
Long-Term Investments	1,291,616	-	-	134,192	-	-	-	-	-	-	(1,291,616)	134,192
Deferred Costs, Net	-	2,227,425	1,003,680	2,126,257	525,476	2,378,848	-	-	-	1,998	-	8,263,684
Deposits and Other Assets	790,924	306,664	61,431	108,645	69,161	78,673	-	-	300,935	54,227	-	1,770,660
Other Intangible Assets	-	-	-	-	-	-	1,250,000	-	-	1,200,000	-	2,450,000
Investments Held under Bond Indenture	-	7,342,753	2,053,227	6,977,768	1,863,459	5,549,576	-	-	-	-	-	23,786,783
Statutory Reserves	-	8,966,701	2,064,405	4,601,727	1,048,979	-	-	-	-	-	-	16,681,812
Investments Restricted by Board	-	1,420,314	212,922	2,355,012	-	-	-	-	-	-	-	3,988,248
Pledges Receivable, Net	-	-	-	-	-	-	-	693,402	-	-	-	693,402
Funds Held in Trust	-	-	-	-	-	-	-	1,967,879	-	-	-	1,967,879
Beneficial Interest in Net Assets of Foundation	-	14,019,465	1,950,008	5,306,576	637,637	644,400	-	-	-	5,000	(22,563,086)	-
Total Assets	$ 39,918,402	$ 257,137,791	$ 60,473,848	$ 128,786,825	$ 27,439,174	$ 83,142,918	$ 2,692,939	$ 27,091,728	$ 3,993,534	$ 7,891,769	$ (73,488,022)	$ 565,080,906

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2015

LIABILITIES AND NET ASSETS (DEFICIT)	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury Communities HCBS, Inc	Asbury Foundation, Inc.	The Asbury Group, Inc.	Calvert County Nursing Center	Eliminations	Consolidated Balance
CURRENT LIABILITIES												
Accounts Payable and Accrued Expenses	$ 5,426,444	$ 1,812,483	$ 87,230	$ 258,569	$ 209,035	$ 124,063	$ 72,587	$ 225,024	$ 454,668	$ 497,514	$ (225,000)	$ 8,942,617
Accrued Compensation and Related Items	11,257,567	1,086,726	284,063	-	166,219	187,774	607,691	-	895,562	-	-	14,485,602
Accrued Interest Payable	-	2,753,341	897,941	2,661,537	723,989	1,848,544	-	-	-	-	-	8,885,352
Obligations under Charitable Gift Annuities	-	-	-	92,530	-	-	-	653,433	-	-	-	745,963
Deposits from Prospective Residents	-	2,411,435	394,329	808,044	138,468	2,334,820	-	-	179,156	-	-	6,266,252
Entrance Fees - Refundable	-	1,131,799	243,000	-	279,959	1,311,149	-	-	-	-	-	2,965,907
Deferred Revenue	-	182,999	105,772	266,003	88,660	37,891	48,752	-	20,059	13,706	-	763,842
Current Portion of Long-Term Debt	-	1,584,572	1,935,428	1,803,673	360,327	1,850,000	-	-	191,388	81,040	(191,388)	7,615,040
Total Current Liabilities	16,684,011	10,963,355	3,947,763	5,890,356	1,966,657	7,694,241	729,030	878,457	1,740,833	592,260	(416,388)	50,670,575
Due to ACOMM, Net	-	-	4,995,674	-	4,155,464	29,994,009	3,758,768	-	2,368,633	971,591	(46,244,139)	-
Long-Term Debt, Net	-	97,477,345	28,878,368	95,228,942	25,579,130	65,392,158	-	-	583,834	179,187	(583,834)	312,735,130
Projected Refund of Standard Entrance Fees	-	1,894,055	888,471	1,227,324	330,164	340,507	-	-	-	-	-	4,680,521
Contingent Refundable Entrance Fee Liability	-	117,289,702	25,701,548	18,278,889	22,783,348	64,216,626	-	-	-	-	-	248,270,113
Entrance Fees - Deferred Revenue	-	73,661,434	27,112,365	34,554,821	4,765,444	8,984,851	-	-	-	-	-	149,078,915
Valuation of Derivative Instruments	-	21,510,651	5,901,175	-	-	-	-	-	-	-	-	27,411,826
Obligations under Charitable Gift Annuities	-	-	-	369,573	-	-	-	3,471,970	-	-	-	3,841,543
Other Long-Term Liabilities	114,334	-	-	-	-	-	-	-	30,242	-	-	144,576
Total Liabilities	16,798,345	322,796,542	97,425,364	155,549,905	59,580,207	176,622,392	4,487,798	4,350,427	4,723,542	1,743,038	(47,244,361)	796,833,199
Net Assets (Deficit)												
Unrestricted	23,120,057	(79,678,216)	(38,901,524)	(39,753,867)	(32,778,671)	(94,123,873)	(1,794,859)	150,000	(730,008)	6,143,731	(3,680,573)	(262,027,803)
Temporarily Restricted	-	506,626	321,684	1,704,879	606,446	289,228	-	3,450,876	-	5,000	(3,450,876)	3,433,863
Permanently Restricted	-	13,512,839	1,628,324	11,285,908	31,192	355,171	-	19,140,425	-	-	(19,112,212)	26,841,647
Total Net Assets (Deficit)	23,120,057	(65,658,751)	(36,951,516)	(26,763,080)	(32,141,033)	(93,479,474)	(1,794,859)	22,741,301	(730,008)	6,148,731	(26,243,661)	(231,752,293)
Total Liabilities and Net Assets (Deficit)	$ 39,918,402	$ 257,137,791	$ 60,473,848	$ 128,786,825	$ 27,439,174	$ 83,142,918	$ 2,692,939	$ 27,091,728	$ 3,993,534	$ 7,891,769	$ (73,488,022)	$ 565,080,906

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT

	Year Ended December 31, 2015									10 Months Ended December 31, 2015		
	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury Communities HCBS, Inc	Asbury Foundation, Inc.	The Asbury Group, Inc.	Calvert County Nursing Center	Eliminations	Consolidated Balance
REVENUES, GAINS AND OTHER SUPPORT												
Net Resident Service Revenue	$ -	$ 69,818,803	$ 16,360,018	$ 25,021,610	$ 15,057,850	$ 16,800,800	$ 7,956,787	$ -	$ -	$ 9,664,216	$ -	$ 160,680,084
Other Operating Revenue	10,538,381	1,044,478	113,597	616,902	70,719	265,923	-	16,133	10,952,700	4,679	(15,723,660)	7,899,852
Amortization of Entrance Fees	-	9,254,397	3,861,113	5,164,578	600,897	1,368,784	-	-	-	-	-	20,249,769
Interest and Dividend Income, Net	826,950	1,300,160	158,272	589,608	59,371	233,607	601	429,021	-	129	-	3,597,719
Net Realized Gain (Loss) on Investments	433,194	523,742	33,402	282,137	25,218	(45,333)	-	227,757	(640)	-	-	1,479,477
Proportionate Share of Gains in Equity Interests Funds	25,611	28,792	1,908	15,303	1,443	-	-	13,573	-	-	-	86,630
Contributions	-	-	-	-	-	-	-	1,767,058	-	113,148	-	1,880,206
Net Assets Released from Restrictions Used for Operations	-	-	-	-	-	-	-	234,376	-	-	-	234,376
Allocations from Asbury Foundation, Inc.	-	438,536	83,319	226,365	307,486	150,289	181,396	-	-	8,237	(1,395,628)	-
Total Revenues, Gains and Other Support	11,824,136	82,408,908	20,611,629	31,916,503	16,122,984	18,774,070	8,138,784	2,687,918	10,952,060	9,790,409	(17,119,288)	196,108,113
EXPENSES												
Salaries	9,100,991	26,482,753	5,280,708	9,026,981	6,350,354	5,691,168	6,276,150	-	5,672,501	5,576,724	(138,040)	79,320,290
Employee Benefits	1,354,997	6,283,214	1,129,838	2,115,507	1,477,188	1,463,551	1,079,251	1,285	869,527	838,259	(17,018)	16,595,599
Cost of Goods Sold	-	-	-	-	-	-	-	-	285,059	-	-	285,059
Contract Labor	182,410	5,539,993	1,639,084	1,542,455	1,162,521	1,916,515	32,067	-	-	1,005,056	-	13,020,101
Food Purchases	-	3,405,345	959,926	887,863	751,739	910,279	-	-	-	288,222	-	7,203,374
Medical Supplies and Other Resident Costs	-	2,539,381	577,577	974,161	563,323	826,369	11,498	-	-	596,238	-	6,088,547
General and Administrative	2,322,780	1,737,050	574,278	458,573	378,528	782,033	361,637	350,290	1,371,688	169,608	-	8,506,465
Building and Maintenance	574,318	6,559,244	1,870,184	2,960,841	1,151,649	1,858,437	55,380	7,202	2,271,898	622,973	-	17,932,126
Professional Fees and Insurance	53,355	616,286	163,062	299,219	151,817	162,353	4,409	1,225	68,110	100,431	-	1,620,267
Interest	18	7,728,171	2,345,727	5,419,774	1,457,620	4,410,629	6,561	4	54,092	12,771	(751,669)	20,683,698
Taxes	4,564	1,465,681	726,475	731,493	133,564	234,284	-	109	(27,406)	720,009	-	3,988,773
Provisions for Bad Debts	-	1,002,327	116,431	17,664	37,028	72,766	244,395	39,063	28,286	269,854	-	1,827,814
Depreciation and Amortization	119,483	13,684,997	2,861,076	4,512,335	2,040,598	3,893,040	44,415	6,867	624,024	411,130	(87,695)	28,110,270
Management Fee and Other Fees	-	6,820,921	1,494,491	2,100,984	1,440,654	1,682,277	703,209	4,092	-	570,307	(14,816,935)	-
Allocations to Asbury Foundation, Inc.	-	-	-	-	-	-	-	1,395,628	-	-	(1,395,628)	-
Total Expenses	13,712,916	83,865,363	19,738,857	31,047,850	17,096,583	23,903,701	8,818,972	1,805,765	11,217,779	11,181,582	(17,206,985)	205,182,383

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)

	Year Ended December 31, 2015									10 Months Ended December 31, 2015		
	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury Communities HCBS, Inc	Asbury Foundation, Inc.	The Asbury Group, Inc.	Calvert County Nursing Center	Eliminations	Consolidated Balance
Income (Loss) from Operations Prior to Net Unrealized Gains (Losses) on Change in Market Value of Value of Derivative Instruments, Inherent Contributions and Loss on Sale of Assets	$ (1,888,780)	$ (1,456,455)	$ 872,772	$ 868,653	$ (973,599)	$ (5,129,631)	$ (680,188)	$ 882,153	$ (265,719)	$ (1,391,173)	$ 87,697	$ (9,074,270)
Net Unrealized Gains (Losses) on Change in Market Value of Derivative Instruments	-	(267,039)	130,641	-	-	-	-	-	-	-	-	(136,398)
Inherent Contribution	-	-	-	-	-	-	-	-	-	7,534,904	-	7,534,904
Loss on Sale of Assets	-	-	-	-	-	-	-	(21,729)	(1,824)	-	-	(23,553)
Income (Loss) from Operations	(1,888,780)	(1,723,494)	1,003,413	868,653	(973,599)	(5,129,631)	(680,188)	860,424	(267,543)	6,143,731	87,697	(1,699,317)
Transfers (to) From ACOMM, net	1,710,144	(2,256,560)	(101,979)	(651,605)	-	-	1,300,000	-	-	-	-	-
Net Assets Released from Restrictions Used for Purchases of Capital Items	-	30,110	-	1,564,254	(518)	181,337	-	-	-	-	-	1,775,183
Net Unrealized Loss on Investments	(1,571,486)	(1,854,495)	(118,714)	(1,123,444)	(91,309)	(227,318)	-	(860,424)	-	-	-	(5,847,190)
Net Decrease (Increase) in Unrestricted Net Deficit	(1,750,122)	(5,804,439)	782,720	657,858	(1,065,426)	(5,175,612)	619,812	-	(267,543)	6,143,731	87,697	(5,771,324)
TEMPORARILY RESTRICTED NET ASSETS												
Contributions	-	-	-	-	-	-	-	854,131	-	-	-	854,131
Net Assets Released from Restrictions for Operations	-	-	-	-	-	-	-	(234,376)	-	-	-	(234,376)
Net Assets Released from Restrictions Used for Purchases of Capital Items	-	(30,110)	-	(1,564,254)	518	(181,337)	-	(1,775,183)	-	-	1,775,183	(1,775,183)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	-	51,574	(2,601)	167,119	318,460	80,203	-	-	-	5,000	(619,755)	-
Net Increase (Decrease) in Temporarily Restricted Net Assets	-	21,464	(2,601)	(1,397,135)	318,978	(101,134)	-	(1,155,428)	-	5,000	1,155,428	(1,155,428)
PERMANENTLY RESTRICTED NET ASSETS												
Contributions	-	-	-	-	-	-	-	764,262	-	-	-	764,262
Changes in Value of Obligations under Charitable Gift Annuities	-	-	-	7,402	-	-	-	(82,466)	-	-	-	(75,064)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	-	38,931	12,935	610,332	(1,089)	20,688	-	-	-	-	(681,797)	-
Net Increase (Decrease) in Permanently Restricted Net Assets	-	38,931	12,935	617,734	(1,089)	20,688	-	681,796	-	-	(681,797)	689,198
CHANGES IN NET ASSETS (DEFICIT)	(1,750,122)	(5,744,044)	793,054	(121,543)	(747,537)	(5,256,058)	619,812	(473,632)	(267,543)	6,148,731	561,328	(6,237,554)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	24,870,179	(59,914,707)	(37,744,570)	(26,641,537)	(31,393,496)	(88,223,416)	(2,414,671)	23,214,933	(462,465)	-	(26,804,989)	(225,514,739)
NET ASSETS (DEFICIT) - END OF YEAR	$ 23,120,057	$ (65,658,751)	$ (36,951,516)	$ (26,763,080)	$ (32,141,033)	$ (93,479,474)	$ (1,794,859)	$ 22,741,301	$ (730,008)	$ 6,148,731	$ (26,243,661)	$ (231,752,293)