ASBURY COMMUNITIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

YEARS ENDED DECEMBER 31, 2018 AND 2017

CliftonLarsonAllen LLP

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Asbury Communities, Inc.
Frederick, Maryland

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Asbury Communities, Inc. (a Maryland nonprofit corporation) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 consolidated financial statements.

Management's Responsibility for the Consolidated 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.

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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, 2018 and 2017, 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.

Emphasis-of-Matters Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, Asbury Communities, Inc. adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new accounting standard changes the presentation of various classifications and disclosures within the financial statements. Our opinion is not modified with respect to that matter.

As discussed in Note 2 to the financial statements, Asbury Communities, Inc. adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-01, *Financial Instruments*. The new accounting standard, among other things, requires investments in equity securities to be measured at fair value with unrealized holding gains and losses included within the performance indicator. Our opinion is not modified with respect to that matter.

As discussed in Note 2 to the financial statements, Asbury Communities, Inc. adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2014-09, *Revenue from Contracts with Customers*. The new accounting standard clarifies how revenue is to be recognized and requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Our opinion is not modified with respect to that matter.

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 16, 2019

ASBURY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 21,523,396	$ 22,942,775
Restricted Cash and Cash Equivalents	2,222,406	-
Investments	78,967,194	79,606,949
Accounts Receivable, Net of Allowance for Doubtful Accounts $3,826,383 and $3,835,492 for December 31, 2018 and 2017, Respectively	9,705,057	9,527,506
Pledges Receivable, Net	628,174	512,131
Other Receivables and Prepaid Expenses	17,588,068	13,519,853
Investments Held under Bond Indenture	14,509,275	21,857,969
Assets Held for Sale	-	6,090,453
Total Current Assets	145,143,570	154,057,636
Property and Equipment, Net	405,434,761	414,628,458
Investments Restricted by Donors	31,578,790	31,695,988
Long-Term Investments	134,192	134,192
Deposits and Other Assets	2,361,416	2,134,819
Other Intangible Assets, Net	6,730,000	6,730,000
Valuation of Derivative Instrument	73,621	-
Investments Held under Bond Indenture	22,778,032	23,782,122
Statutory Reserves	19,976,524	18,695,870
Investments Restricted by Board	4,224,088	4,377,885
Pledges Receivable, Net	2,016,132	1,910,718
Funds Held in Trust	1,807,828	1,917,115
Total Assets	$ 642,258,954	$ 660,064,803

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 15,366,408	$ 9,859,539
Accrued Compensation and Related Items	15,584,452	18,507,446
Accrued Interest Payable	7,433,263	9,103,281
Construction Retainage Payable	-	865,323
Obligations under Charitable Gift Annuities	740,974	663,106
Deposits from Prospective Residents	3,748,761	3,936,856
Entrance Fees - Refundable	6,871,850	4,437,729
Deferred Revenue	1,873,844	1,455,209
Current Portion of Long-Term Debt	70,304,849	69,590,233
Total Current Liabilities	121,924,401	118,418,722
Long-Term Debt, Net	282,124,079	278,142,293
Projected Refund of Standard Entrance Fees	5,165,014	4,922,882
Contingent Refundable Entrance Fee Liability	267,277,882	273,851,953
Entrance Fees - Deferred Revenue	175,782,847	165,310,236
Estimated Obligation to Provide Future Services, in Excess of Amounts Received or to be Received	2,173,271	-
Valuation of Derivative Instruments	-	24,528,106
Obligations under Charitable Gift Annuities	3,187,047	3,350,521
Other Long-Term Liabilities	742,284	502,262
Total Liabilities	858,376,825	869,026,975
NET ASSETS (DEFICIT)		
Without Donor Restriction	(251,393,455)	(241,189,043)
With Donor Restrictions	35,275,584	32,226,871
Total Net Deficit	(216,117,871)	(208,962,172)
Total Liabilities and Net Deficit	$ 642,258,954	$ 660,064,803

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES, GAINS, AND OTHER SUPPORT		
Net Resident Service Revenue	$ 195,693,394	$ 192,702,197
Other Operating Revenue	6,438,353	7,841,359
Amortization of Entrance Fees	24,230,921	21,628,792
Interest and Dividend Income, Net	6,669,090	3,650,458
Net Realized Gain (Loss) on Investments	(1,774,443)	18,764,690
Net Unrealized Loss on Equity Securities	(9,691,082)	(6,473,519)
Contributions	3,720,959	3,949,070
Net Assets Released from Restrictions Used for Operations	422,585	394,567
Total Revenues, Gains, and Other Support	225,709,777	242,457,614
EXPENSES		
Salaries	91,529,457	93,802,488
Employee Benefits	21,033,618	21,335,221
Cost of Goods Sold	100,554	215,284
Contract Labor	18,175,064	16,281,272
Food Purchases	8,588,192	8,773,163
Medical Supplies and Other Resident Costs	8,659,533	8,091,147
General and Administrative	12,610,372	10,034,177
Building and Maintenance	23,079,275	22,259,732
Professional Fees and Insurance	2,251,254	2,170,395
Interest	20,356,072	20,342,588
Taxes	6,391,522	5,163,202
Provisions for Bad Debts	1,793,846	1,845,609
Depreciation and Amortization	33,239,187	31,870,135
Total Expenses	247,807,946	242,184,413
INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED GAIN ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON DISPOSAL OF ASSETS, CHANGE IN OBLIGATION TO PROVIDE FUTURE SERVICES, INHERENT CONTRIBUTION, NET, AND LOSS ON RETIREMENT OF DEBT	(22,098,169)	273,201
Net Unrealized Gain on Change in Market Value of Derivative Instruments	11,062,207	1,258,132
Loss on Disposal of Assets	(295,331)	(1,982,770)
Sale of CCNC	3,577,402	-
Change in Obligation to Provide Future Services	(2,173,271)	-
Inherent Contribution, Net	-	1,687,250
Loss on Retirement of Debt	(630,644)	(232,669)
INCOME (LOSS) FROM OPERATIONS	(10,557,806)	1,003,144

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Income (Loss) from Operations	$ (10,557,806)	$ 1,003,144
Net Assets Released from Restrictions Used for Purchases of Capital Items	953,572	800,344
Net Unrealized Loss on Fixed Income Securities and Other Investments	(600,176)	(556,289)
Net (Increase) Decrease in Net Deficit Without Donor Restrictions	(10,204,410)	1,247,199
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	4,714,988	3,861,843
Net Assets Released from Restrictions for Operations	(422,585)	(394,567)
Net Assets Released from Restrictions Used for Purchases of Capital Items	(953,573)	(800,344)
Changes in Value of Obligations under Charitable Gift Annuities	(252,390)	(254,341)
Change in Value of Deferred-Giving Arrangements	(37,729)	-
Net Increase in Net Assets With Donor Restrictions	3,048,711	2,412,591
CHANGES IN NET DEFICIT	(7,155,699)	3,659,790
Net Deficit - Beginning of Year	(208,962,172)	(212,621,962)
NET DEFICIT - END OF YEAR	$ (216,117,871)	$ (208,962,172)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Deficit	$ (7,155,699)	$ 3,659,790
Adjustments to Reconcile Changes in Net Deficit to		
Net Cash Provided by Operating Activities:		
Provision for Bad Debts	1,793,846	1,845,609
Depreciation and Amortization	33,239,187	31,870,135
Amortization of Deferred Financing Costs	398,238	400,271
Amortization of Bond Premium/Discount	(407,822)	(285,139)
Amortization of Entrance Fees	(24,230,921)	(21,628,792)
Net Proceeds from Nonrefundable Entrance and Advance Fees	36,084,004	30,184,201
Inherent Contribution	-	(1,687,250)
Net Unrealized Loss on Investments	10,291,258	7,029,808
Net Unrealized Gains on Change in		
Market Value of Derivative Instruments	(11,062,207)	(1,258,132)
Changes in Value of Obligations under Charitable Gift Annuities	290,119	254,341
Restricted Contributions Received	(4,714,988)	(3,861,843)
Loss on Disposal of Assets	295,331	1,982,770
Loss on Retirement of Debt	630,644	232,669
Change in Obligation to Provide Future Services	2,173,271	-
Changes in Assets and Liabilities:		
Restricted Cash and Cash Equivalents	(2,222,406)	-
Accounts Receivable	(1,971,397)	(1,970,866)
Other Receivables and Prepaid Expenses	2,535,098	(890,817)
Deferred Entrance Fees	(6,603,313)	6,501,047
Deposits and Other Assets	(226,597)	895,870
Pledges Receivable, Net	(221,457)	(418,536)
Deferred Revenue	418,635	138,441
Accounts Payable and Accrued Expenses	1,718,552	1,468,545
Accrued Interest Payable	(1,670,018)	7,224
Net Cash Provided by Operating Activities	29,381,358	54,469,346
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(18,250,368)	(40,646,912)
Proceeds from Sale of Assets	-	286,825
Funds Held in Trust	109,287	(46,970)
Cash Received Upon Affiliations	-	180,287
Purchases of Investments, Net	(2,308,378)	(12,062,511)
Net Cash Used by Investing Activities	(20,449,459)	(52,289,281)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	$ 25,079,135	$ 33,915,485
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(30,545,520)	(34,169,174)
Restricted Contributions	5,057,958	4,139,930
Proceeds from Issuance of Debt	111,220,756	19,683,047
Premiums from Issuance of Debt	9,624,956	-
Change in Other Long-Term Liabilities	240,022	407,692
Payments on Long-Term Debt	(18,495,520)	(16,865,245)
Redemption of Long-Term Debt	(96,860,000)	-
Redemption of Derivative Instrument	(13,539,520)	-
Payments for Deferred Financing Costs	(1,414,850)	(89,458)
Payments on Obligations under Charitable Gift Annuities	(718,695)	(744,002)
Net Cash Provided (Used) by Financing Activities	(10,351,278)	6,278,275
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,419,379)	8,458,340
Cash and Cash Equivalents - Beginning of Year	22,942,775	14,484,435
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 21,523,396	$ 22,942,775
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 22,035,674	$ 20,220,232

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Asbury Communities, Inc. (ACOMM), was organized on August 1, 1994, as a Maryland nonprofit 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); Inverness Village, an Oklahoma nonprofit Corporation (IV); Asbury Communities HCBS, Inc. (HCBS); Calvert County Nursing Center (CCNC) (until the sale on October 1, 2018); and Asbury, Inc. (Asbury Place) and Affiliate (Forest Ridge Manor). ACOMM is the sole voting stockholder of The Asbury Group, Inc. (TAG). Additionally, ACOMM is the sole member of Asbury Foundation, Inc. (AFOUND).

On August 1, 2016, ACOMM entered into an affiliation agreement with Bethany Development, Inc. (BDC), a 149-unit affordable housing (HUD) community in Mechanicsburg, Pennsylvania. ACOMM will serve as the supporting organization of BDC. The current board of directors of BDC continued control over board governance until August 1, 2017. The accompanying consolidated financial statements include the financial position and results of operations of BDC as of December 31, 2018 and 2017, and for the year ending December 31, 2018 and for the five months ended December 31, 2017.

Asbury Atlantic, Inc. (Asbury Atlantic) – is a nonprofit, nonstock corporation organized under the laws of the state of Maryland. Asbury Atlantic has operating affiliates comprised of Asbury Methodist Village (AMV), Asbury Solomons (AS) 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.
- AS is a CCRC located in Calvert County, Maryland.
- BV is a CCRC located in Mechanicsburg, Pennsylvania.
- SH is a CCRC located in Erie, Pennsylvania.

IV – is a nonprofit, nonstock corporation organized under the laws of the state of Oklahoma. IV is a CCRC located in Tulsa, Oklahoma. Since events of default continue to occur on its primary long-term debt, on December 20, 2018, the trustee of the long-term debt filed a petition for appointment of receiver in the District Court of Creek County, State of Oklahoma. The case has been assigned and a receiver was appointed. In addition, the IV board of directors is evaluating several possibilities, including a sale and disposition of the collateral for cash, a refinancing or a restructuring of the bonds, or some other form of transaction that is acceptable to the trustee.

HCBS – is a nonprofit, nonstock 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.

NOTE 1 ORGANIZATION (CONTINUED)

Asbury Place – On August 1, 2016, Asbury, Inc. (Asbury Place) and Affiliate (Forest Ridge Manor), a tax-exempt, Tennessee nonstock corporation, became an affiliate of the Company, by ACOMM serving as the supporting organization for Asbury Place. Asbury Place has two CCRCs located in Maryville and Kingsport and a 38-unit affordable housing facility, Forest Ridge Manor (FRM) located in Kingsport.

CCNC – CCNC is a 149-bed, Medicare and Medicaid certified, skilled nursing provider located in Prince Frederick. CCNC was sold October 1, 2018.

AFOUND – is a nonprofit, nonstock 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, CCNC (until the sale), and HCBS. ACOMM is the sole member of AFOUND.

TAG – was organized in 2006 as a for-profit Delaware corporation and provides management 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 as a Delaware limited liability company.

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, IV, HCBS, Asbury, Inc. and Forest Ridge Manor, AFOUND, TAG, CCNC, and BDC (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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents primarily include amounts held for resident deposits and entrance fees.

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 30% and 29% of the Company's total net resident service revenues for the years ended December 31, 2018 and 2017, respectively.

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 $1,807,828 and $1,917,115 as of December 31, 2018 and 2017, 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 the Company, except investments held by Asbury Place, IV, AFOUND, FRM, and BDC. The investment pools are comprised of equity securities or equity mutual funds, bonds or bond mutual funds and cash. The equity securities and their related unrealized gains or losses are recorded above income (loss) from operations. The fixed income securities and other types of investments and their related unrealized gains or losses are recorded below income (loss) from operations. The investments are managed by an investment advisor (the Advisor). In addition, investments held under bond indenture with trustees are high-grade income securities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

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 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, unrealized gains and losses on equity security 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 fixed income securities or other investments with readily determinable market values are excluded from income (loss) from operations, unless the losses are deemed to be other-than-temporary.

The Company 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 the Company 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

The investment policy of the Company 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.

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 believes that this investment strategy meets the Company'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 the Company 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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.

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was recognized during 2018.

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 $1,532,316 and $1,359,611 for the years ended December 31, 2018 and 2017, respectively.

Other Intangible Assets

The Company recorded $5,480,000 of intangible assets from the affiliation of Asbury Place on August 1, 2016 for the skilled nursing beds Certificate of Need.

The Company recorded $1,250,000 of intangible assets from the HCBS purchase of the Certificate of Need for a Medicare-certified home health provider in 2015.

Intangible assets are recorded at their estimated fair market value and not subject to amortization. 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, the Company had an estimated obligation to provide future services in excess of amounts received or to be received in the amount of $2,173,271. As of December 31, 2017 the present value of the net cost of future services and use of facilities did 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.

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 13 for additional information on workers' compensation insurance.

Resident Services Revenue

Resident services revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Company bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or residents receiving services in the facility. The Company measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents. The Company does not believe it is required to provide additional goods or services related to that sale.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Company's policy and/or implicit price concessions provided to residents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

The Company determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience.

The Company offers five types of resident entrance-fee options: a standard declining refund option, a 50% refundable option, a 90% refundable option and a 100% refundable option, and a nonrefundable 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, SH and Asbury Place. 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, SH, and Asbury Place and 60 days for IV.

Under the standard declining refund option offered at communities except Asbury Place and IV, 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 to determine the refund amount. After that period, the refund is fully amortized and there is no refundable portion. Under the standard declining refund option offered at Asbury Place, the entrance fee is amortized over a period of 50 months resulting in an entrance fee refund balance that declines 2% per month over the 50-month period. Under the standard declining refund option previously offered at IV, the entrance fee is amortized over a period of one hundred months resulting in an entrance fee refund balance that declines 1% per month over the one hundred month period. 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.

At IV, for contracts entered into prior to January 1, 2009, 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.

At IV, for contracts between January 1, 2009 and December 31, 2014, the refund occurs upon receipts of a successor entrance fee. If the successor resident takes possession of the unit within 90 days of vacancy, the refund is issued on the 90^{th} day. If the successor resident takes possession after 90 days of vacancy, the refund is payable within 30 days from the successor resident executing a residency agreement. In November 2018, IV stopped refunding entrance fees as result of the receivership discussed in Note 1.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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 (time-based measurement).

Refundable entrance fees are recorded in the accompanying consolidated balance sheets as current liabilities. 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 at December 31:

	2018	2017
Entrance Fees - Refundable	$ 6,871,850	$ 4,437,729
Contingent Refundable Entrance Fee Liability	$ 267,277,882	$ 273,851,953
Entrance Fees - Deferred Revenue:		
25% to 95% Refundable Contracts	$ 12,997,238	$ 13,271,439
Standard Entry Fee Option Contracts:		
Five-Year Contracts	161,027,441	149,114,107
Nine-Year Contracts	2,835,268	3,448,955
50-Month Contracts	1,327,123	1,252,713
100-Month Contracts	2,579,949	3,145,904
Nonrefundable Contracts	180,842	-
Total	180,947,861	170,233,118
Less: Projected Refund of Standard Entrance Fees	(5,165,014)	(4,922,882)
Total	$ 175,782,847	$ 165,310,236
Total Entrance Fees	$ 449,932,579	$ 443,599,918

The portions of the above entrance fees that continue to be subject to any contractual refund obligation as of December 31, 2018 and 2017 were $344,972,856 and $344,598,698, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (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.

The composition of resident services by primary payor for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Medicaid	$ 27,203,663	$ 26,752,921
Medicare	28,817,637	26,888,594
Managed Care	1,519,189	1,134,249
Private Pay	138,152,905	137,926,433
Total Resident Services Revenue	$ 195,693,394	$ 192,702,197

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

The composition of net resident service revenue based on its service lines, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2018 and 2017 are as follows:

	2018								
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Total
Service Lines:									
Skilled Nursing Facility	$ 33,364,420	$ 5,631,225	$ 9,604,480	$ 9,136,119	$ 3,694,888	$ 18,470,384	$ 10,065,890	$ -	$ 89,967,406
Assisted Living	12,469,124	2,099,239	7,435,365	2,050,841	2,594,511	5,214,861	-	-	31,863,941
Independent Living	28,906,158	8,870,503	9,147,842	5,468,576	11,036,344	5,267,349	-	-	68,696,772
Home Health	-	-	-	-	-	764,677	-	3,981,730	4,746,407
Retail Sales	47,696	42,291	143,215	78,367	74,527	32,772	-	-	418,868
Total	$ 74,787,398	$ 16,643,258	$ 26,330,902	$ 16,733,903	$ 17,400,270	$ 29,750,043	$ 10,065,890	$ 3,981,730	$ 195,693,394
Method of Reimbursement:									
Fee for Services	$ 74,739,702	$ 16,600,967	$ 26,187,687	$ 16,655,536	$ 17,325,743	$ 29,717,271	$ 10,065,890	$ 3,981,730	$ 195,274,526
Retail Sales	47,696	42,291	143,215	78,367	74,527	32,772	-	-	418,868
Total	$ 74,787,398	$ 16,643,258	$ 26,330,902	$ 16,733,903	$ 17,400,270	$ 29,750,043	$ 10,065,890	$ 3,981,730	$ 195,693,394
Timing of Revenue and Recognition:									
Health Care Services Transferred Over Time	$ 74,739,702	$ 16,600,967	$ 26,187,687	$ 16,655,536	$ 17,325,743	$ 29,717,271	$ 10,065,890	$ 3,981,730	$ 195,274,526
Sales at Point in Time	47,696	42,291	143,215	78,367	74,527	32,772	-	-	418,868
Total	$ 74,787,398	$ 16,643,258	$ 26,330,902	$ 16,733,903	$ 17,400,270	$ 29,750,043	$ 10,065,890	$ 3,981,730	$ 195,693,394

	2017								
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Total
Service Lines:									
Skilled Nursing Facility	$ 33,040,868	$ 6,297,465	$ 9,548,155	$ 8,890,483	$ 3,034,606	$ 16,629,631	$ 12,054,367	$ -	$ 89,495,575
Assisted Living	12,198,999	1,889,470	7,579,703	1,765,266	2,432,018	4,390,465	-	-	30,255,921
Independent Living	28,078,991	8,359,540	8,781,337	5,449,596	11,652,211	5,066,272	-	-	67,387,947
Home Health	-	-			-	804,558	-	4,311,846	5,116,404
Retail Sales	52,155	44,169	141,412	76,987	98,570	33,057	-	-	446,350
Total	$ 73,371,013	$ 16,590,644	$ 26,050,607	$ 16,182,332	$ 17,217,405	$ 26,923,983	$ 12,054,367	$ 4,311,846	$ 192,702,197
Method of Reimbursement:									
Fee for Services	$ 73,318,858	$ 16,546,475	$ 25,909,195	$ 16,105,345	$ 17,118,835	$ 26,890,926	$ 12,054,367	$ 4,311,846	$ 192,255,847
Retail Sales	52,155	44,169	141,412	76,987	98,570	33,057	-	-	446,350
Total	$ 73,371,013	$ 16,590,644	$ 26,050,607	$ 16,182,332	$ 17,217,405	$ 26,923,983	$ 12,054,367	$ 4,311,846	$ 192,702,197
Timing of Revenue and Recognition:									
Health Care Services Transferred Over Time	$ 73,318,858	$ 16,546,475	$ 25,909,195	$ 16,105,345	$ 17,118,835	$ 26,890,926	$ 12,054,367	$ 4,311,846	$ 192,255,847
Sales at Point in Time	52,155	44,169	141,412	76,987	98,570	33,057	-	-	446,350
Total	$ 73,371,013	$ 16,590,644	$ 26,050,607	$ 16,182,332	$ 17,217,405	$ 26,923,983	$ 12,054,367	$ 4,311,846	$ 192,702,197

Contract Costs

The Company has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental resident contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Company otherwise would have recognized is one year or less in duration.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Benevolent and charity care provided to residents for the years ended December 31, 2018 and 2017 was $2,490,982 and $2,996,620, respectively.

Occupancy Percentages

During the years ended December 31, 2018 and 2017, the occupancy percentages and the percentages of Skilled Nursing Center (SNF) residents covered under the Medicaid program, Medicare program, and private pay and other were as follows:

	2018						
	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center
Total Skilled Nursing Center Occupancy	95%	94%	91%	84%	88%	76%	81%
Medicaid	30%	30%	43%	40%	0%	44%	77%
Medicare	21%	7%	21%	15%	26%	25%	14%
Managed Care	0%	0%	0%	0%	0%	0%	1%
Private Pay and Other	49%	63%	36%	45%	74%	31%	8%

	2017						
	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center
Total Skilled Nursing Center Occupancy	96%	93%	94%	94%	95%	74%	75%
Medicaid	30%	29%	42%	28%	0%	45%	79%
Medicare	19%	10%	19%	11%	14%	26%	13%
Managed Care	0%	0%	0%	0%	0%	0%	0%
Private Pay and Other	51%	61%	39%	61%	86%	29%	8%

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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. Net assets with donor restrictions that are permanent in nature represent donor-restricted endowments to be held in perpetuity.

Inherent Contribution, Net

The Company recognized a net inherent contribution related to the August 1, 2017 affiliation with BDC. The Company did not pay any consideration as a part of the affiliation. The following amounts were recorded as a result of the affiliation at August 1, 2017:

Cash and Cash Equivalents	$ 180,287
Other Receivables and Prepaid Expenses	24,342
Deposits and Other Assets	31,507
Investments Held Under Bond Indenture	1,966,129
Property and Equipment, Net	1,287,287
Total	$ 3,489,552
Accounts Payable and Accrued Expenses	$ 205,758
Long-Term Debt, Net	1,596,544
Unrestricted Net Assets	1,687,250
Total	$ 3,489,552

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Endowment Funds

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

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Company has adopted an enacted version of the Uniform Prudent Management of Institutional Funds Act, which requires enhanced disclosures for all endowment funds. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Net assets with donor restrictions that are temporary in nature consist of assets held on behalf of Asbury Atlantic, Inc. by AFOUND. They are primarily available to purchase equipment, provide charity care and for other health and educational services.

Net assets with donor restrictions that are perpetual in nature are amounts held by AFOUND for the benefit of Asbury Atlantic, Inc. These net assets are pooled with ACOMM'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. The income from which is unrestricted and has been expended to support benevolent care provided by the Asbury Atlantic, Inc. The Company has adopted an enacted version of the *Uniform Prudent Management of Institutional Funds Act*, which requires enhanced disclosures for all endowment funds.

Income from Operations

The accompanying consolidated statements of operations and changes in net deficit include income from operations, which is the Company's performance indicator. Changes in unrestricted net assets (deficit), which are excluded from income from operations, consistent with industry practice, include unrealized gains and losses on fixed income securities and other investments, 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 included in other receivables and prepaid expenses 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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

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.

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 accounting principles generally accepted in the United States of America. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 it 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.

New Accounting Pronouncements — ASU 2016-14

During the year ended December 31, 2018, the Company adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions) and disclosures within the financial statements. The adoption of this accounting standard did not have an impact on the Company's financial position or changes in its net deficit.

New Accounting Pronouncements — ASU 2014-09

During the year ended December 31, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The adoption of this accounting standard did not have an impact on the Company's financial position or changes in its net deficit.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements — ASU 2016-01

During the year ended December 31, 2018, the Company adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments*. This new accounting standard requires unrealized gains and losses resulting from the change in fair value of investments in equity securities to be included within the Company's performance indicator on the statements of operations and statement of changes in net assets without donor restrictions. The adoption of this accounting standard did not have an impact on the Company's financial position or changes in its net deficit.

New Accounting Pronouncements — ASU 2016-02

FASB issued ASU 2016-02 in February of 2016 pertaining to recording of leases. While the standard will not be effective for the Company until the year ending December 31, 2019, the standard can be adopted as early as the year ending December 31, 2016. Early adoption has not been exercised. Implementation of the new standard can result in changes to the reporting and disclosure of leases. Management is in the process of evaluating the impact on the Company.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 16, 2019, the date the consolidated financial statements were issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2018 and 2017, the Organization has a working capital of $23,219,169 and $35,638,914, respectively. Days cash on hand was 214 as of December 31, 2018.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2018	2017
Cash and Cash Equivalents	$ 21,523,396	$ 22,942,775
Investments	78,967,194	79,606,949
Accounts Receivable, Net	9,705,057	9,527,506
Pledges Receivable, Net	628,174	512,131
Other Receivables and Prepaid Expenses	17,588,068	13,519,853
Investments Held Under Bond Indenture	14,509,275	21,857,969
Total Financial Assets	$ 142,921,164	$ 147,967,183

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Company has certain investments, including the current portion of investments held under bond indenture, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Company has other assets limited to use for board-restricted purposes, statutory liquid reserves, and noncurrent portion of investments held under bond indenture. These assets limited to use, which are more fully described in Note 6 are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary.

NOTE 4 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.

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). Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, Centers for Medicare and Medicaid Services (CMS) may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Skilled Nursing Facility Services (Continued)

Maryland Medicaid Reimbursement

Under the Maryland Medical Assistance Program (Maryland Medicaid), a facility's resident care day rate is comprised of four cost centers: (1) administrative and routine (i.e. administration, training, laundry, housekeeping), (2) other patient care (i.e. pharmacy, food, social services, recreation), (3) capital (i.e. real estate tax and fair rental value), and (4) nursing services (all direct care).

Maryland Medicaid calculates annual regional prices on a state fiscal year basis for administrative and routine costs as well as other patient care costs. Facility-specific capital rates are set based on real estate taxes and fair rental value. These rates generally remain constant throughout the year. Since the acuity of residents in a facility fluctuates, Maryland Medicaid adjusts the nursing service rates quarterly. This allows flexibility to keep up with ongoing direct services costs. Each quarter, Maryland Medicaid uses case mix to drive rate changes. If a facility's case mix increases at a higher rate than the statewide average, their nursing services rate increases. Information regarding acuity of residents in each facility is captured through the Minimum Data Set 3.0 assessment.

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 Company has utilized actual 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.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Skilled Nursing Facility Services (Continued)

Tennessee Medicaid Reimbursement

Under the Tennessee Medicaid reimbursement system, the determination of reimbursement rates is based upon costs and other statistical data reported on the annual Medicaid cost report and are subject to a statewide cap. An incentive add-on may be added to the per diem rate based upon the efficiency of the organization. Effective for the July 1, 2018 rate period, Medicaid rates are calculated using a case mix methodology. Rates are effective July 1st of the year following the cost report calendar year. Cost reports are subject to desk review or audit prior to setting of the rates.

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.

Other

The Company has implemented a system wide voluntary compliance program instituted by the Company. 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 oversight, written policies and procedures, a code of conduct, continuous education, periodic auditing, and an associate hotline.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlement are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2018 or 2017.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Other (Continued)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2018 and 2017. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

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, 2018 and 2017, AMV and AS are in compliance with the reserve requirement. The total amount reserved for AMV is as follows as of December 31:

	2018	2017
Maryland Department of Aging Reserves:		
Operating Expenses	$ 85,450,488	$ 83,603,334
Less: Depreciation and Amortization Expense	(14,003,501)	(13,959,297)
Interest Expense	(6,951,557)	(7,342,078)
Net Operating Expenses	$ 64,495,430	$ 62,301,959
Total Operating Reserve (15% of Net Operating Expenses)	$ 9,674,315	$ 9,345,294
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	$ 9,674,315	$ 9,345,294
Cash and Marketable Securities Available for Operating Reserve	$ 11,609,177	$ 10,591,333

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

State of Maryland Reserve Requirement (Continued)

The total amount reserved for AS is as follows as of December 31:

	2018	2017
Maryland Department of Aging Reserves:		
Operating Expenses	$ 19,851,113	$ 19,598,528
Less: Depreciation and Amortization Expense	(2,987,165)	(2,917,086)
Interest Expense	(2,037,993)	(2,249,376)
Net Operating Expenses	$ 14,825,955	$ 14,432,066
Total Operating Reserve (15% of Net Operating Expenses)	$ 2,223,893	$ 2,164,810
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	$ 2,223,893	$ 2,164,810
Cash and Marketable Securities Available for Operating Reserve	$ 2,668,672	$ 2,453,451

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, 2018 and 2017 exceeded 10% of BV's projected operating expense (as defined) equal to $2,297,991 and $2,284,468 as of December 31, 2018 and 2017, respectively.

BV's minimum liquid reserve was as follows at December 31:

	2018	2017
Projected Annual Debt Service Payments	$ 6,668,194	$ 6,669,444
Approximate Percentage of Continuing-Care Clients	70%	69%
Minimum Liquid Reserve Requirement	$ 4,667,736	$ 4,601,916

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements (Continued)

SH must adhere to the same reserve requirements. At SH, projected annual debt service requirements exceeded 10% of its projected annual operating expenses equal to $1,495,219 and $1,475,492 as of December 31, 2018 and 2017, respectively. SH's minimum liquid reserve was as follows at December 31:

	2018	2017
Projected Annual Debt Service Payments	$ 1,808,665	$ 1,808,915
Approximate Percentage of Continuing-Care Clients	57%	58%
Minimum Liquid Reserve Requirement	$ 1,030,939	$ 1,049,170

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 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 at December 31:

	2018	2017
Private Pay	52 %	49 %
Medicaid	15	18
Medicare	18	18
Other (Primarily Managed Care and Insurance)	15	15
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 at December 31:

	2018	2017
Investments:		
Cash and Short-Term Investments	$ 1,023,369	$ 4,113,254
Fixed-Income Securities and Mutual Funds	39,668,407	37,433,483
Equity Securities and Equity Mutual Funds	38,275,418	38,060,212
Investment in Land, at Cost	134,192	134,192
Total Investments	$ 79,101,386	$ 79,741,141
Investments Restricted by Donors:		
Cash and Short-Term Investments	$ 686,011	$ 1,546,068
Fixed-Income Securities and Mutual Funds	7,864,019	14,274,131
Equity Securities and Equity Mutual Funds	22,860,883	15,706,574
Real Estate Mutual Funds	167,877	169,215
Total Investments Restricted by Donors	$ 31,578,790	$ 31,695,988
Statutory Reserves:		
Cash and Short-Term Investments	$ 19,976,524	$ 18,695,870
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	$ 37,287,307	$ 45,640,091
Investments Restricted by Board:		
Cash and Short-Term Investments	$ 51,499	$ 214,617
Fixed-Income Securities and Mutual Funds	2,133,282	2,057,080
Equity Securities and Equity Mutual Funds	2,039,307	2,106,188
Total Investments Restricted by Board	$ 4,224,088	$ 4,377,885

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

	2018	2017
Debt-Service Fund	$ 11,467,702	$ 16,074,420
Debt-Service Reserve Fund	23,703,220	25,675,248
Project Fund	-	221,088
Capital Improvement Fund	1,968,583	2,996,750
Capitalized Interest Fund	147,802	672,585
Total	37,287,307	45,640,091
Less: Current Portion	(14,509,275)	(21,857,969)
Long-Term Portion of Bond Indenture	$ 22,778,032	$ 23,782,122

NOTE 6 INVESTMENTS (CONTINUED)

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 is as follows for the years ended December 31:

	2018	2017
Included within the Company's Performance Indicator:		
Interest and Dividend Income, Net	$ 6,669,090	$ 3,650,458
Net Realized Gains (Loss) on Investments	(1,774,443)	18,764,690
Net Unrealized Gain on Change in Market		
Net Unrealized Loss on Equity Security Investments	(9,691,082)	(6,473,519)
Value of Derivative Instruments	11,062,207	1,258,132
Total	6,265,772	17,199,761
Included in Other Changes in Net Deficit:		
Other Unrealized Loss on Investments	(600,176)	(556,289)
Total	$ 5,665,596	$ 16,643,472

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

The Company engages professionals to manage its investment portfolio within guidelines of the Company's board-approved investment policy. Management periodically 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, 2018 and 2017, 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 at December 31:

	Useful Life	2018	2017
Land and Improvements	10 to 40 Years	$ 54,275,582	$ 53,523,742
Buildings and Improvements	10 to 40 Years	666,285,905	667,915,890
Furniture and Equipment	2 to 15 Years	79,274,267	88,187,307
Construction in Progress		1,323,625	714,177
Total		801,159,379	810,341,116
Less: Accumulated Depreciation		(395,724,618)	(395,712,658)
Property and Equipment, Net		$ 405,434,761	$ 414,628,458

Depreciation expense was $33,181,650 and $31,132,753 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, the amount of interest expense capitalized was $-0- and $806,639, respectively.

NOTE 8 PLEDGES RECEIVABLE

Pledges receivable were recorded at their net present value using an estimated discounted rate and consisted of the following at December 31:

	2018	2017
Amounts Expected to be Collected in:		
Less than One Year	$ 628,174	$ 512,131
One Year to Five Years	2,016,132	1,847,454
Six Years to Nine Years	-	63,264
Total	$ 2,644,306	$ 2,422,849

Pledges receivable were recorded net of reserve for uncollectible pledges of $145,207 and $141,913 as of December 31, 2018 and 2017, 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.

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.

NOTE 8 PLEDGES RECEIVABLE (CONTINUED)

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 2.20% and 1.93% at December 31, 2018 and 2017, 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, 2018 and 2017, AFOUND had segregated $7,486,787 and $7,448,609 as investments restricted by donors in the accompanying consolidated balance sheets as of December 31, 2018 and 2017, respectively and, therefore, has met its minimum reserve requirement at December 31, 2018 and 2017. BV is not subject to any requirements under the Commonwealth of Pennsylvania.

NOTE 9 DEBT

Long-term debt consisted of the following at December 31:

	Interest Rate	Dates	2018	2017
Series 2018A MD Bonds	Fixed Rate Revenue Bonds	2023-2036	$ 82,565,000	$ -
Series 2018B MD Bonds	Fixed Rate Revenue Bonds	2022-2027	13,555,000	-
Series 2016A TN Bonds	Fixed Rate Revenue Bonds	2024 - 2047	23,170,000	23,170,000
Series 2016B TN Bonds	Variable (3.75% as of 12/31/18)	2018 - 2046	15,294,030	13,802,793
Series 2016C TN Bonds	Variable (3.75% as of 12/31/18)	2023	4,846,538	5,680,730
Series 2014A MD Bonds	Fixed (5.0%)	2020 - 2021	-	14,650,000
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	37,515,000	39,235,000
Series 2012 PA Bonds	Fixed Rate Revenue Bonds	2014 - 2036	49,170,000	49,700,000
Series 2010 PA Bonds	Fixed Rate Revenue Bonds	2012 - 2045	66,360,000	67,675,000
Series 2009B MD Bonds	Fixed Rate Revenue Bonds	2011 - 2023	19,450,000	23,055,000
Series 2006A MD Bonds	Fixed Rate Revenue Bonds	2023 - 2036	-	82,780,000
Total			336,035,568	343,858,523
Unamortized Bond Premium/Discount, Net			11,222,835	3,683,099
Unamortized Bond Financing Costs, Net			(6,166,043)	(6,211,620)
Current Portion Bonds Payable			(67,644,888)	(69,095,828)
Total Bonds Payable			273,447,472	272,234,174
Forest Ridge Manor HUD Advance			3,293,600	3,293,600
BDC HUD-Insured Mortgage Payable			1,465,283	1,608,484
BV Note Payable			776,917	1,271,322
CCNC Note Payable			-	95,017
MD Obligated Group Loan Payable			5,666,667	-
Forest Ridge Manor Affordable Housing Program Grant			134,101	134,101
Total			11,336,568	6,402,524
Current Portion Notes Payable			(2,659,961)	(494,405)
Total Notes Payable			8,676,607	5,908,119
Total Long-Term Debt			$ 282,124,079	$ 278,142,293

NOTE 9 DEBT (CONTINUED)

Series 2018 Maryland (MD) Bonds

On October 1, 2018, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg (the Authority) pursuant to which the City of Gaithersburg sold the Series 2018A and Series 2018B Bonds. From the proceeds, the Obligated Group borrowed $96,120,000 of Economic Development Project and Refunding Revenue Bonds Series 2018 (the Series 2018 Bonds), which was compromised of $82,565,000 of Series 2018A Bonds and $13,555,000 of Series 2018B Bonds. The Series 2018A Bonds bear interest at fixed rates between 4% and 5% and maturities range from January 1, 2023 to January 1, 2036. The Series 2018B Bonds bear interest at a fixed rate of 5.0% and mature on January 1, 2027.

The proceeds of the Series 2018 Bonds were utilized to refund all of the Series 2006A Maryland Bonds and the Series 2014A Maryland Bonds, to pay $7,500,000 of the costs of improving and renovating the facilities at the Asbury Methodist Village location, to fund the debt service reserve fund, and to pay certain expenses incurred in connection with the issuance of the Series 2018 Bonds.

Series 2016 Asbury Place (TN) Bonds

On October 1, 2016, Asbury Place issued its $23,170,000 Revenue Refunding and Improvement Bonds (Series 2016A TN Bonds) through The Health and Educational Facilities Board of Blount County, Tennessee (THEFB). The purpose of the financing is primarily to provide funds, together with other available funds, to refund the outstanding Series 2010 TN Bonds, to pay a portion of the costs of improving and renovating the facilities at the Maryville and Kingsport locations, to fund a debt service fund, and to pay certain expenses incurred in connection with the issuance of the Series 2016A TN Bonds. Interest on the Series 2016A TN Bonds ranges from 4% to 5% and is payable on each January 1 and July 1, beginning on January 1, 2017.

Simultaneously with the issuance of the Series 2016A TN Bonds, Asbury Place also issued its $18,000,000 Revenue Improvement Bonds (Series 2016B TN) through THEFB. The primary purpose of the Series 2016B TN financing is to provide additional funds to pay the costs of improving and renovating the facilities at the Maryville and Kingsport locations and to pay certain expenses incurred in connection with the issuance of the Series 2016B TN Bonds.

Simultaneously with the issuance of the Series 2016A TN Bonds and Series 2016B TN Bonds, Asbury Place also issued its $6,236,858 Revenue Refunding Bonds (Series 2016C) through THEFB. The primary purpose of the Series 2016C TN financing was to refund the outstanding Series 2007A TN Bonds and to pay certain expenses incurred in connection with the issuance of the Series 2016C TN Bonds when they became callable on April 3, 2017. In addition, the Asbury Place forward-rate purchase agreement became effective.

NOTE 9 DEBT (CONTINUED)

Series 2016 Asbury Place (TN) Bonds (Continued)

Both the Series 2016B TN and Series 2016C TN Bonds are privately held bonds and bear interest at a variable rate equal to a percentage of one-month LIBOR plus a fixed credit spread and were issued using a draw-down structure, as the actual par amount of each of these series could be lower depending on costs of issuance and the costs of improvements to the facilities. As of December 31, 2018 and 2017, the total amounts drawn on Series 2016 B TN was $15,364,029 and $13,802,793, respectively.

Series 2014 A Maryland (MD) Bonds

On April 9, 2014, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg (Gaithersburg). Under this agreement, Gaithersburg issued $15,290,000 of Economic Development Refunding Revenue Bonds (Asbury Maryland Obligated Group), Series 2014 (the Series 2014 MD Bonds). The Series 2014 MD Bonds are comprised of 1) $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 on April 9, 2014.

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

On October 1, 2018, the Series 2014 Bonds were refunded from the proceeds of the Series 2018 Bonds.

Series 2013 Inverness (IV) Bonds

On July 10, 2013, IV entered into a loan agreement with The Oklahoma Development Finance Authority (ODFA) pursuant to which ODFA sold the Series 2013 bonds. From the proceeds, IV borrowed $24,110,000 of Continuing Care Retirement Community Revenue Refunding Bonds (Inverness Village Community), Series 2013 (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, IV 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. The Company is currently not funding these funds as required under the bond agreements.

NOTE 9 DEBT (CONTINUED)

Series 2012 Pennsylvania (PA) Bonds

On October 1, 2012, Asbury Pennsylvania Obligated Group entered into a loan agreement with the Cumberland County Municipal Authority (CCMA) pursuant to which CCMA sold the Series 2012 bonds. From the proceeds, the Asbury Pennsylvania Obligated Group borrowed $51,640,000 of Refunding Revenue Bonds (Asbury Pennsylvania Obligated Group), Series 2012, (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%.

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 Asbury Pennsylvania 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.

Series 2012 Inverness (IV) Bonds

On May 1, 2012, Inverness Village entered into a loan agreement with ODFA pursuant to which ODFA sold the Series 2012 bonds. From the proceeds, IV borrowed $47,130,000 of Continuing Care Retirement Community Revenue Refunding Bonds (Inverness Village Community), Series 2012 (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, IV 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. The Company is currently not funding these funds as required under the bond agreements.

NOTE 9 DEBT (CONTINUED)

Series 2010 Pennsylvania (PA) Bonds

On November 10, 2010, the Asbury Pennsylvania Obligated Group entered into a loan agreement with CCMA pursuant to which CCMA sold the Series 2010 bonds. From the proceeds, the Asbury Pennsylvania Obligated Group borrowed $74,630,000 of Municipal Refunding Revenue Bonds (Asbury Pennsylvania Obligated Group), Series 2010 (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.

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 Asbury Pennsylvania 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.

Series 2009B Maryland (MD) Bonds

On December 16, 2009, the Asbury Maryland Obligated Group entered into a loan agreement with Gaithersburg pursuant to which Gaithersburg sold the Series 2009B bonds. From the proceeds, the Company borrowed $43,820,000 of Economic Development Refunding Revenue Bonds (Asbury Maryland Obligated Group), Series 2009B (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 Gaithersburg pursuant to which Gaithersburg 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 (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 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. On October 1, 2018, the Series 2006A Bonds were refunded from the proceeds of the Series 2018 Bonds.

Deferred Financing Costs

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. The amortization expense on deferred financing costs is included in interest expense and totaled $398,238 and $400,271 for the years ended December 31, 2018 and 2017, respectively.

Bond Premium and Discount

Bond premiums and discounts are comprised of the difference between the price at which a bond was sold and its fair value. Bond premiums and discounts are amortized on a straight-line basis into interest expense over the life of the bonds. The amortization expense on bond premiums and discounts included in interest expense was ($407,822) and ($285,139) for the years ended December 31, 2018 and 2017, respectively.

Liens and Covenants

Collateral for the debt includes the trustee-held funds, as well as a security interest in the assets, accounts receivable, general intangibles, chattel paper, and certain other items of the respective obligated group.

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.

NOTE 9 DEBT (CONTINUED)

Liens and Covenants (Continued)

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, the Company 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.

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 Pennsylvania Obligated Group'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, the Company 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.

Under the Asbury Place Master Indenture, the lenders have a security interest in gross receipts (not charitable pledges), accounts, equipment, general intangibles inventory, documents, instruments, and chattel paper of Asbury Place. The terms of the indenture restrict the Company's ability to create additional indebtedness and require stipulated insurance coverage.

Additionally the members of the respective obligated groups are subject to covenants relating to long-term debt service coverage ratio, days cash on hand, consolidation and merger, transfers of assets, and addition of or withdrawal of members from the respective obligated groups.

The Company is subject to various covenants under the bond agreements. These covenants include various reporting, financial, and operational requirements. As of December 31, 2018, management is not aware of any noncompliance with these covenants, other than as noted in the succeeding paragraph.

As of December 31, 2018 and 2017 , IV did not meet two financial covenants under the Series 2013 IV Bonds and Series 2012 IV Bonds. Also, in January 2018, IV did not make its scheduled debt payment on the Series 2013 IV and Series 2012 IV Bonds, which resulted in IV's default. IV is negotiating its repayment terms for the Series 2013 IV Bonds and the Series 2012 IV Bonds with the lender. As of December 31, 2018 and 2017, the Company classified these debts as current in its consolidated balance sheet.

NOTE 9 DEBT (CONTINUED)

Forest Ridge Manor HUD Advance

Forest Ridge Manor (FRM) obtained a capital advance from HUD, in the amount of $3,293,600 through the HUD Section 202 Capital Advance Program. Advances under this program bear no interest and are not required to be repaid so long as FRM remains available to very low-income households and continues to meet the requirements of HUD Section 202 until July 1, 2047, at which point the advance is forgiven. If default of the terms of the advance occurs, then HUD, at its option, may accelerate the entire principal balance. Upon acceleration, interest at the rate of 4.75% will be assessed from the date of the advance. The advance is collateralized by the project costs and the related land of FRM.

BDC HUD-Insured Mortgage Payable

BDC has a mortgage note that is HUD-insured pursuant to Section 223(f) that is payable in monthly installments of $15,185, including interest at an annual rate of 2.53% through December 2027. In addition, monthly deposits for replacement reserves are required. The mortgage note is secured by the apartment project.

Note Payables

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.

In conjunction with termination of the Series 2006 Forward Contract and AS Interest rate swap, Asbury Maryland Obligated Group also entered into two separate term loans, a $7,500,000 term loan and a $6,000,000 term loan. As of December 31, 2018, the $7,500,000 term loan has been paid off in full, and there is $5,666,667 outstanding on the other term loan.

CCNC Note Payable

CCNC had 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 sale on October 1, 2018, the note payable balance was paid in full.

Forest Ridge Manor Affordable Housing Grant

FRM obtained an Affordable Housing Program (AHP) grant from the Federal Home Loan Bank of Tennessee, in the amount of $134,101. The grant bears no interest and is not required to be repaid and will be forgiven after fifteen years or the maturity date of July 20, 2023, as long as FRM maintained compliance with its requirements. Under the terms of the grant, FRM must maintain a residence for person having an income level at or below 50% of the median income estimate.

NOTE 9 DEBT (CONTINUED)

Debt Maturities

A schedule of minimum maturities of debt for the next five years and thereafter, based on the current terms of the Company's loan agreements, is as follows:

Year Ending December 31,	Amount
2019	$ 70,304,849
2020	9,830,948
2021	10,378,903
2022	12,462,438
2023	14,329,438
Thereafter	230,065,560
Total	$ 347,372,136

NOTE 10 DERIVATIVE INSTRUMENTS

Certain of 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, these 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 these affiliates. 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.

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 Asbury Atlantic forward contract and AS interest rate swap agreements were terminated on June 28, 2018.

NOTE 10 DERIVATIVE INSTRUMENTS (CONTINUED)

Interest rate swap payments under the Series 2006 forward contract and $1,123,238 and $2,729,335 of payments were made during 2018 and 2017, respectively. Interest rate swap receipts under the Interest Rate Swap were received in the amounts of $-0- and $1,970 during 2018 and 2017, 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 2018 and 2017.

Asbury Place entered into a forward contract concurrent with the issuance of the Series 2016 bonds. Under this agreement, Asbury Place pays a fixed rate of interest of 0.998% and received payments based on a floating rate based upon 67% of LIBOR. Payments on this forward contract agreement began on May 1, 2017 and will terminate on April 1, 2023.

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

	AS Interest Rate Swap	Series 2006 Asbury Atlantic Forward Contract	Asbury Place Series 2016 Forward Contract	Total
Notional Amount - December 31, 2018	$ -	$ -	$ 4,819,331	
Trade Date	12/8/2006	8/13/2001	10/6/2016	
Effective Date	1/1/2013	8/23/2001	4/3/2017	
Termination or Cancellation Date	6/28/2018	6/28/2018	4/1/2023	
Fixed Rate	5.128%	0.9194%	0.998%	
Fair Value at December 31, 2016	(221,744)	(25,604,173)	39,679	$ (25,786,238)
Unrealized Gain (Loss)	131,965	1,102,229	23,938	1,258,132
Fair Value at December 31, 2017	(89,779)	(24,501,944)	63,617	(24,528,106)
Unrealized Gain	74,119	10,978,084	10,004	11,062,207
Termination Due To Redemption	15,660	13,523,860	-	13,539,520
Fair Value at December 31, 2018	$ -	$ -	$ 73,621	$ 73,621

The Company has included the fair market value of these derivative instruments as an asset (liability) of $73,621 and ($24,528,106) in the accompanying consolidated balance sheets as of December 31, 2018 and 2017, respectively.

Net unrealized gains on derivative instruments was $11,062,207 and $1,258,132 in 2018 and 2017, respectively.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were $35,275,584 and $32,226,871 as of December 31, 2018 and 2017, respectively. Included in net assets with donor restrictions are investments to be held in perpetuity totaling $29,680,552 and $27,983,251 as of December 31, 2018 and 2017, respectively. Investment income earned from the net assets with donor restrictions is available for operations of the supported organizations including funding of benevolent and charity care.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Substantially all investments are held by AFOUND. 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 net assets with donor restrictions that are to be held in perpetuity is as follows at December 31:

	2018	2017
Endowment Fund - Beginning of Year	$ 27,983,251	$ 27,063,424
Contributions	1,987,478	1,174,168
Changes in Value of Obligations under Charitable Gift Annuities	(290,177)	(254,341)
Endowment Fund - End of Year	$ 29,680,552	$ 27,983,251

NOTE 12 RETIREMENT PLAN

The Company has a defined-contribution plan (the Plan) under IRC Section 401(k). All full-time employees of the Company, except FRM, are eligible to participate in the Plan. Employees may elect to defer up to $18, 500 of their base salary, subject to certain limitations. The employer's basic contribution is 3% of compensation for each eligible employee. The Company will also match the employee's contribution up to 2% of the employee's base salary. Prior to November 1, 2017, Asbury Place's employees were eligible to participate in a 403(b) tax deferred annuity plan, which was terminated on October 31, 2017.

The employer's contribution expense for the years ended December 31, 2018 and 2017 was $3,400,169 and $3,022,453, respectively.

NOTE 13 COMMITMENTS AND CONTINGENCIES

General and Professional Liability Insurance

The Company has a general and professional liability insurance policy (GL/PL), which is claims-made based, through Caring Communities, a reciprocal Risk Retention Group. The GL/PL coverage has a limit of $1,000,000 per occurrence and a $3,000,000 annual aggregate. The Company, excluding Asbury Place, also has 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, 2019. Asbury Place became part of this GL/PL policy effective January 1, 2018. Previously, Asbury Place utilized its own insurance program.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Caring Communities, a Reciprocal Risk Retention Group

In 2009, the Company 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 nonprofit, 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 2018, 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.

The Company executed a subscription agreement and made capital contributions in exchange for an interest in a CCrRRG Charter Capital Account. Through December 31, 2018, the Company's capital contributions were $560,508 which represents 3.38% 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 Workers' Compensation Trust, entered into a fully insured arrangement for workers' compensation coverage beginning March 1, 2018 and has been renewed through February 28, 2020. Prior to March 1, 2018, the Company, excluding BV, has 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, 2018 and 2017, 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. Asbury Place became part of the Company's workers' compensation coverage on March 1, 2017. Previously, Asbury Place was covered under a fully insured workers' compensation plan.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Health Insurance

The Company has a self-funding arrangement for health insurance coverage. The Company has stop-loss coverage up to $200,000 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. Asbury Place became part of the Company's health insurance coverage on August 1, 2017. Previously, Asbury Place was covered under a fully insured health insurance plan.

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.

Lease Commitments

The Company has leases for vehicles and office equipment, which expire in 2024. 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, 2018 and 2017 was $2,203,018 and $2,212,158, respectively.

In January 2017, the Company entered into an 11-year noncancelable office lease agreement for approximately 26,380 square feet of office in Frederick, Maryland, to be used as the Company's corporate office. In accordance with the lease agreement, the term of the lease began in August 2017. The Company pays annual base rent payments ranging from $501,220 to $641,562.

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

Year Ending December 31,	Amount
2019	$ 1,555,565
2020	1,425,931
2021	1,185,301
2022	956,971
2023	890,200
Thereafter	2,890,656
Total	$ 8,904,624

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%. 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. TAG exercised this right to terminate the lease early in 2019.

NOTE 14 FUNCTIONAL EXPENSES

The Company provides continuing and long-term care for the aging. Expenses related to providing these services were as follows at December 31:

	2018		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 91,529,457	$ -	$ 91,529,457
Employee Benefits	21,033,618	-	21,033,618
Cost of Goods Sold	100,554	-	100,554
Contract Labor	18,175,064	-	18,175,064
Food Purchases	8,588,192	-	8,588,192
Medical Supplies and Other Resident Costs	8,659,533	-	8,659,533
General and Administrative	-	12,610,372	12,610,372
Building and Maintenance	23,079,275	-	23,079,275
Professional Fees and Insurance	2,251,254	-	2,251,254
Interest	-	20,356,072	20,356,072
Taxes	-	6,391,522	6,391,522
Provision for Bad Debts	1,793,846	-	1,793,846
Depreciation and Amortization	-	33,239,187	33,239,187
Total Functional Expenses	$ 175,210,793	$ 72,597,153	$ 247,807,946

	2017		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 93,802,488	$ -	$ 93,802,488
Employee Benefits	21,335,221	-	21,335,221
Cost of Goods Sold	215,284	-	215,284
Contract Labor	16,281,272	-	16,281,272
Food Purchases	8,773,163	-	8,773,163
Medical Supplies and Other Resident Costs	8,091,147	-	8,091,147
General and Administrative	-	10,034,177	10,034,177
Building and Maintenance	22,259,732	-	22,259,732
Professional Fees and Insurance	2,170,395	-	2,170,395
Interest	-	20,342,588	20,342,588
Taxes	-	5,163,202	5,163,202
Provision for Bad Debts	1,845,609	-	1,845,609
Depreciation and Amortization	-	31,870,135	31,870,135
Total Functional Expenses	$ 174,774,311	$ 67,410,102	$ 242,184,413

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

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 and fixed-income securities and mutual funds.

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.

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:

	At Fair Value as of December 31, 2018			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 59,024,710	$ -	$ -	$ 59,024,710
Fixed-Income Securities and Mutual Funds	49,665,708	-	-	49,665,708
Equity Securities and Mutual Funds	63,175,608	-	-	63,175,608
Real Estate Mutual Funds	167,877	-	-	167,877
Derivative Instruments	-	73,621	-	73,621

	At Fair Value as of December 31, 2017			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 70,209,900	$ -	$ -	$ 70,209,900
Fixed-Income Securities and Mutual Funds	53,764,694	-	-	53,764,694
Equity Securities and Mutual Funds	55,872,974	-	-	55,872,974
Real Estate Mutual Funds	169,215	-	-	169,215
Derivative Instruments	-	63,617	-	63,617
Liabilities				
Derivative Instruments	$ -	$ (24,591,723)	$ -	$ (24,591,723)

NOTE 16 INCOME TAXES

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

	2018	2017
Current:		
Federal	$ -	$ -
State	4,924	5,617
Total Current	4,924	5,617
Deferred:		
Federal	(366,099)	168,202
State	(209,268)	(10,558)
Valuation Allowance	575,367	-
Total Deferred	-	157,644
Total	$ 4,924	$ 163,261

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

	2018	2017
Net Operating Loss Carryforwards	$ 944,576	$ 422,262
Accrued Paid Time-Off Benefits	87,373	96,949
Accrued Expenses	-	21,885
Interest Expense Limitation	12,236	-
Deferred Revenue	146,329	55,360
Prepaid Insurance	(1,574)	(1,352)
Depreciation	(182,097)	(223,058)
Amortization	25,018	30,905
Federal Benefit of State Deferred	(47,535)	(3,589)
Provision for Bad Debt	9,103	15,842
Accrued Long-Term Compensation	-	1,301
Accrued Workers Compensation	1,857	3,415
Total	995,286	419,920
Valuation Allowance	(575,367)	-
Deferred Tax Asset	$ 419,920	$ 419,920

The effective tax rate of the taxable subsidiaries differs from the statutory federal tax rate primarily due to the impact of current year NOLs and resulting benefit thereof. In 2018, there is a higher deferred income tax benefit over deferred income tax expense resulting primarily from the net operating loss and the deferred revenue. In 2017, there was a higher deferred income tax expense over deferred income tax benefits resulting primarily from net operating loss carryforwards and a reduction in enacted future tax rates.

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Asbury Foundation, Inc.	The Asbury Group, Inc.	Forest Ridge Manor, Inc.	Bethany Development Corporation	Eliminations	Consolidated Balance
CURRENT ASSETS															
Cash and Cash Equivalents	$ 12,088,983	$ 146,721	$ 343,786	$ 748,816	$ 697,156	$ 1,970,579	$ 5,004,557	$ -	$ 153,801	$ 67,630	$ 144,774	$ 17,313	$ 139,280	$ -	$ 21,523,396
Restricted Cash and Cash Equivalents	-	-	-	-	-	2,222,406	-	-	-	-	-	-	-		2,222,406
Investments	29,837,307	30,661,971	612,186	4,529,503	913,511	181	12,338,306	-	-	2,010	37,767	-	34,452	-	78,967,194
Accounts Receivable, Net	-	4,095,251	583,597	1,074,698	733,488	517,367	1,679,589	-	450,364	-	569,929	-	774	-	9,705,057
Pledges Receivable, Net	-	-	-	-	-	-	-	-	-	628,174	-	-	-	-	628,174
Other Receivables and Prepaid Expenses	675,958	11,770,378	2,146,675	764,139	212,504	984,898	188,916	-	24,129	1,049	803,440	840	15,142	-	17,588,068
Investments Held under Bond Indenture	-	2,831,384	2,742,964	4,095,741	1,108,439	3,153,122	577,625	-	-	-	-	-	-	-	14,509,275
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	42,602,248	49,505,705	6,429,208	11,212,897	3,665,098	8,848,553	19,788,993	-	628,294	698,863	1,555,910	18,153	189,648	-	145,143,570
Due from ACOMM, Net	-	46,384,340	937,123	4,887,173	-	-		-	-	5,309,890	-	-	-	(57,518,526)	-
Property and Equipment, Net	2,854,306	139,443,704	42,396,062	80,565,339	18,151,092	56,242,192	63,254,158	-	23,363	22,325	1,182,610	2,549,239	1,185,120	(2,434,749)	405,434,761
Investments Restricted by Donors	-	-	-	10,165,006	-	-	53,391	-	-	21,360,393	-	-	-	-	31,578,790
Long-Term Investments	1,291,616	-	-	134,192	-	-	-	-	-	-	-	-	-	(1,291,616)	134,192
Deposits and Other Assets	679,292	879,818	-	113,608	5,783	5,000	158,798	-	500	-	447,319	17,362	53,936		2,361,416
Other Intangible Assets	-	-	-	-	-	-	5,480,000	-	1,250,000	-	-	-	-	-	6,730,000
Valuation of Derivative Instrument							73,621								73,621
Investments Held under Bond Indenture	-	7,838,707	2,040,689	7,113,203	1,850,629	-	1,934,192	-	-	-	-	114,432	1,886,180	-	22,778,032
Statutory Reserves	-	11,609,177	2,668,672	4,667,736	1,030,939	-	-	-	-	-	-	-	-	-	19,976,524
Investments Restricted by Board	-	1,420,314	212,922	2,590,852	-	-	-	-	-	-	-	-	-	-	4,224,088
Pledges Receivable, Net	-	-	-	-	-	-	-	-	-	2,016,132	-	-	-	-	2,016,132
Funds Held in Trust	-	-	-	-	-	-	-	-	-	1,807,828	-	-	-	-	1,807,828
Beneficial Interest in Net Assets of Foundation	-	16,263,473	2,213,934	6,705,221	1,732,423	545,135	-	-	-	-	-	-	-	(27,460,186)	-
Total Assets	$ 47,427,462	$ 273,345,238	$ 56,898,610	$ 128,155,227	$ 26,435,964	$ 65,640,880	$ 90,743,153	$ -	$ 1,902,157	$ 31,215,431	$ 3,185,839	$ 2,699,186	$ 3,314,884	$ (88,705,077)	$ 642,258,954

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET ASSETS (DEFICIT)	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Asbury Foundation, Inc.	The Asbury Group, Inc.	Forest Ridge Manor, Inc.	Bethany Development Corporation	Eliminations	Consolidated Balance
CURRENT LIABILITIES															
Accounts Payable and Accrued Expenses	$ 11,348,844	$ 1,572,616	$ 134,996	$ 155,004	$ 144,546	$ 405,827	$ 634,897	$ -	$ 63,515	$ 82	$ 774,209	$ 12,101	$ 119,771	$ -	$ 15,366,408
Accrued Compensation and Related Items	12,037,106	597,224	194,754	-	96,349	132,303	1,390,311	-	387,476	-	665,160	1,363	82,406	-	15,584,452
Accrued Interest Payable	-	1,278,464	490,884	2,573,627	700,552	1,741,151	645,496	-	-	-	-	-	3,089	-	7,433,263
Obligations under Charitable Gift Annuities	-	-	-	92,134	-	-	-	-	-	648,840	-	-	-	-	740,974
Deposits from Prospective Residents	-	2,199,714	346,730	747,453	150,071	197,280	96,950	-	-	-	-	10,563	-	-	3,748,761
Entrance Fees - Refundable	-	3,789,608	672,588	326,400	-	1,855,644	227,610	-	-	-	-	-	-	-	6,871,850
Deferred Revenue	-	485,245	46,525	73,652	104,690	698,611	83,759	-	109,058	67	271,674	563	-	-	1,873,844
Current Portion of Long-Term Debt	-	3,114,711	2,690,289	2,035,233	407,886	60,549,872	1,360,016	-	-	-	168,061		146,842	(168,061)	70,304,849
Total Current Liabilities	23,385,950	13,037,582	4,576,766	6,003,503	1,604,094	65,580,688	4,439,039	-	560,049	648,989	1,879,104	24,590	352,108	(168,061)	121,924,401
Due to ACOMM, Net	4,960,471	-	-	-	4,287,862	37,455,764	1,268,235	-	5,128,084	-	4,250,048	-	-	(57,350,464)	-
Long-Term Debt, Net	-	98,781,417	24,422,734	87,731,670	23,960,283	-	42,542,680		-	-	-	3,427,701	1,257,594	-	282,124,079
Projected Refund of Standard Entrance Fees	-	2,315,310	1,200,631	1,069,855	478,921	76,656	23,641	-	-	-	-	-	-	-	5,165,014
Contingent Refundable Entrance Fee Liability	-	117,439,153	24,950,597	17,342,827	19,451,950	60,692,165	27,401,190	-	-	-	-	-	-	-	267,277,882
Entrance Fees - Deferred Revenue	-	86,322,534	32,434,139	38,107,978	7,167,603	8,282,555	3,468,038	-	-	-	-	-	-	-	175,782,847
Estimated Obligation to Provide Future Services, in Excess of Amounts Received or to be Received	-	-	-	-	-	2,173,271	-	-	-	-	-	-	-	-	2,173,271
Obligations under Charitable Gift Annuities	-	-	-	258,944	-	-	-	-	-	2,928,103	-	-	-	-	3,187,047
Other Long-Term Liabilities	506,047	-	-	-	-	-	-	-	-	-	236,237	-	-	-	742,284
Total Liabilities	28,852,468	317,895,996	87,584,867	150,514,777	56,950,713	174,261,099	79,142,823	-	5,688,133	3,577,092	6,365,389	3,452,291	1,609,702	(57,518,525)	858,376,825
NET ASSETS (DEFICIT)															
Without Donor Restrictions	18,574,994	(60,814,231)	(32,900,190)	(36,627,270)	(32,247,171)	(109,165,354)	11,375,583	-	(3,785,976)	150,000	(3,179,550)	(753,105)	1,705,182	(3,726,367)	(251,393,455)
With Donor Restrictions	-	16,263,473	2,213,933	14,267,720	1,732,422	545,135	224,747	-	-	27,488,339	-	-	-	(27,460,185)	35,275,584
Total Net Assets (Deficit)	18,574,994	(44,550,758)	(30,686,257)	(22,359,550)	(30,514,749)	(108,620,219)	11,600,330	-	(3,785,976)	27,638,339	(3,179,550)	(753,105)	1,705,182	(31,186,552)	(216,117,871)
Total Liabilities and Net Assets (Deficit)	$ 47,427,462	$ 273,345,238	$ 56,898,610	$ 128,155,227	$ 26,435,964	$ 65,640,880	$ 90,743,153	$ -	$ 1,902,157	$ 31,215,431	$ 3,185,839	$ 2,699,186	$ 3,314,884	$ (88,705,077)	$ 642,258,954

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Year Ended December 31, 2018														
	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Asbury Foundation, Inc.	The Asbury Group, Inc.	Forest Ridge Manor, Inc.	Bethany Development Corporation	Eliminations	Consolidated Balance
REVENUES, GAINS, AND OTHER SUPPORT															
Net Resident Service Revenue	$ -	$ 74,787,398	$ 16,643,258	$ 26,330,902	$ 16,733,903	$ 17,400,270	$ 29,750,043	$ 10,065,890	$ 3,981,730	$ -	$ -	$ -	$ -	$ -	$ 195,693,394
Other Operating Revenue	8,654,996	1,294,148	114,290	588,189	115,658	279,006	315,979	5,165	123,496	125	10,548,538	228,228	1,324,097	(17,153,562)	6,438,353
Amortization of Entrance Fees	-	11,325,756	4,057,752	5,491,724	1,283,027	1,390,290	682,372	-	-	-	-	-	-	-	24,230,921
Interest and Dividend Income, Net	1,360,862	2,946,601	408,941	787,068	105,266	138,021	405,651	16,374	547	495,683	-	685	3,391	-	6,669,090
Net Realized Loss on Investments	(403,003)	(517,005)	(39,153)	(244,003)	(26,319)	(95,393)	(148,639)	-	-	(300,115)	(813)	-	-	-	(1,774,443)
Net Unrealized Loss on Equity Securities	(2,063,058)	(2,669,054)	(206,279)	(1,806,337)	(135,428)	(1,928)	(829,374)	-	-	(1,979,624)	-	-			(9,691,082)
Contributions	-	-	-	-	-	-	153,626	100,500	-	3,466,833	-	-	-	-	3,720,959
Net Assets Released from Restrictions															
Used for Operations	-	-	-	-	-	-	34,467	-	-	388,118	-	-	-	-	422,585
Allocations from Asbury Foundation, Inc.	-	1,111,033	111,687	(17,715)	27,049	175,559	-	12,331	188	-	-	-	-	(1,420,132)	-
Total Revenues, Gains, and Other Support	7,549,797	88,278,877	21,090,496	31,129,828	18,103,156	19,285,825	30,364,125	10,200,260	4,105,961	2,071,020	10,547,725	228,913	1,327,488	(18,573,694)	225,709,777
EXPENSES															
Salaries	8,151,179	28,295,988	5,352,088	9,156,646	6,591,141	5,794,676	13,936,601	5,068,898	3,244,462	192	5,504,948	35,409	397,229	-	91,529,457
Employee Benefits	1,592,367	5,847,635	1,138,893	2,539,502	1,726,005	1,899,730	3,141,690	1,535,623	478,657	-	995,203	14,123	124,190	-	21,033,618
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	100,554	-	-	-	100,554
Contract Labor	22,110	5,723,979	1,519,865	1,847,454	1,169,288	1,775,624	4,040,274	1,256,482	58,784	-	761,204	-	-	-	18,175,064
Food Purchases	-	3,458,872	816,963	874,212	724,734	962,164	1,475,936	275,311	-	-	-	-	-	-	8,588,192
Medical Supplies and Other Resident Costs	-	3,079,767	559,492	1,114,285	528,776	727,248	1,936,901	619,480	34,292	-	-	-	59,292	-	8,659,533
General and Administrative	4,334,962	1,899,724	526,094	403,333	353,116	2,664,767	837,347	290,894	315,851	556,359	1,174,383	47,313	104,475	(898,246)	12,610,372
Building and Maintenance	478,419	6,765,681	1,869,644	3,134,185	1,227,934	1,933,313	2,694,803	1,181,575	63,322	2,205	3,311,197	88,102	328,895	-	23,079,275
Professional Fees and Insurance	38,476	663,107	167,087	273,244	154,354	160,349	502,640	191,471	5,687	1,294	50,580	20,677	22,288	-	2,251,254
Interest	23,754	5,595,924	1,658,540	5,257,323	1,451,606	4,360,202	1,850,850	25,518	33,449	27	42,472	-	56,407	-	20,356,072
Taxes	4,022	1,782,698	767,579	824,314	128,760	1,325,969	1,419,670	104,421	-	100	33,890	-	99	-	6,391,522
Provisions for Bad Debts	-	941,390	129,409	19,531	65,454	75,248	165,868	347,311	67,938	3,294	(21,597)	-	-	-	1,793,846
Depreciation and Amortization	738,700	14,407,752	2,893,143	4,835,360	1,814,933	3,798,332	3,961,624	-	17,807	10,735	555,270	102,168	226,924	(123,561)	33,239,187
Management Fee and Other Fees	-	7,631,394	1,621,765	2,321,917	1,515,353	1,795,771	660,318	383,827	323,463	1,508	-	-	-	(16,255,316)	-
Allocations to Asbury Foundation, Inc.	-	-	-	-	-	-	-	-	-	1,420,132	-	-	-	(1,420,132)	-
Total Expenses	15,383,989	86,093,911	19,020,562	32,601,306	17,451,454	27,273,393	36,624,522	11,280,811	4,643,712	1,995,846	12,508,104	307,792	1,319,799	(18,697,255)	247,807,946
INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED GAIN ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, GAIN (LOSS) ON DISPOSAL OF ASSETS, SALE OF CCNC, CHANGE IN OBLIGATION TO PROVIDE FUTURE SERVICES, AND LOSS ON RETIREMENT OF DEBT	(7,834,192)	2,184,966	2,069,934	(1,471,478)	651,702	(7,987,568)	(6,260,397)	(1,080,551)	(537,751)	75,174	(1,960,379)	(78,879)	7,689	123,561	(22,098,169)

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Year Ended December 31, 2018														
	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Asbury Foundation, Inc.	The Asbury Group, Inc.	Forest Ridge	Bethany Development Corporation	Eliminations	Consolidated Balance
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS															
Income (Loss) from Operations Prior to Net Unrealized Gain on Change in Market Value of Value of Derivative Instruments, Gain (Loss) on Disposal of Assets, Sale of CCNC, Change in Obligation to Provide Future Services, and Loss on Retirement of Debt	$ (7,834,192)	$ 2,184,966	$ 2,069,934	$ (1,471,478)	$ 651,702	$ (7,987,568)	$ (6,260,397)	$ (1,080,551)	$ (537,751)	$ 75,174	$ (1,960,379)	$ (78,879)	$ 7,689	$ 123,561	$ (22,098,169)
Net Unrealized Gain on Change in Market Value of Derivative Instruments	-	8,654,948	2,397,255	-	-	-	10,004	-	-	-	-	-	-	-	11,062,207
Gain (Loss) on Disposal of Assets	-	(128,070)	150,660	(129,672)	-	(34,352)	(153,897)	-	-	-	-	-	-	-	(295,331)
Sale of CCNC	5,064,543	-	-	-	-	-	-	(1,487,141)	-	-	-	-	-	-	3,577,402
Change in Obligation to Provide Future Services	-	-	-	-	-	(2,173,271)	-	-	-	-	-	-	-	-	(2,173,271)
Loss on Retirement of Debt	-	(187,895)	(442,749)	-	-	-	-		-	-	-	-	-	-	(630,644)
INCOME (LOSS) FROM OPERATIONS	(2,769,649)	10,523,949	4,175,100	(1,601,150)	651,702	(10,195,191)	(6,404,290)	(2,567,692)	(537,751)	75,174	(1,960,379)	(78,879)	7,689	123,561	(10,557,806)
Transfers (to) from ACOMM, Net	588,000	-	-	(588,000)	-	-	-		-	-	-	-	-	-	-
Net Assets Released from Restrictions Used for Purchases of Capital Items	-	79,823	40,100	73,391	124,482	630,076	-	5,700	-	-	-	-	-	-	- 953,572
Net Unrealized Gain (Loss) on Fixed Income Securities and Other Investments	(149,812)	(123,065)	(10,745)	(135,429)	(9,172)	(519)	(96,260)		-	(75,174)	-	-	-	-	(600,176)
Net (Increase) Decrease in Net Assets (Deficit) Without Donor Restrictions	(2,331,461)	10,480,707	4,204,455	(2,251,188)	767,012	(9,565,634)	(6,500,550)	(2,561,992)	(537,751)	-	(1,960,379)	(78,879)	7,689	123,561	(10,204,410)
RESTRICTED NET ASSETS WITH DONOR RESTRICTIONS															
Contributions	-	-	-	-	-	-	21,502		-	4,693,486	-	-	-	-	4,714,988
Net Assets Released from Restrictions for Operations	-	-	-	-	-	-	(34,467)	-	-	(388,118)	-	-	-	-	(422,585)
Net Assets Released from Restrictions Used for Purchases of Capital Items	-	(79,823)	(40,100)	(73,391)	(124,482)	(630,076)	-	(5,700)		(953,572)	-	-	-	953,571	(953,573)
Changes in Value of Obligations under Charitable Gift Annuities	-	-	-	-	-	-	-	-	-	(252,390)	-	-	-	-	(252,390)
Change in Value of Deferred-Giving Arrangements	-	-	-	(37,729)	-	-	-	-	-	-	-	-	-	-	(37,729)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	-	1,991,740	18,477	1,158,770	806,249	86,314	-	(8,512)	-	-	-	-	-	(4,053,038)	-
Net Increase (Decrease) in Net Assets With Donor Restrictions	-	1,911,917	(21,623)	1,047,650	681,767	(543,762)	(12,965)	(14,212)	-	3,099,406	-	-	-	(3,099,467)	3,048,711
CHANGES IN NET ASSETS (DEFICIT)	(2,331,461)	12,392,624	4,182,832	(1,203,538)	1,448,779	(10,109,396)	(6,513,515)	(2,576,204)	(537,751)	3,099,406	(1,960,379)	(78,879)	7,689	(2,975,906)	(7,155,699)
Net Assets (Deficit) - Beginning of Year	20,906,455	(56,943,382)	(34,869,089)	(21,156,012)	(31,963,528)	(98,510,823)	18,113,845	2,576,204	(3,248,225)	24,538,933	(1,219,171)	(674,226)	1,697,493	(28,210,646)	(208,962,172)
NET ASSETS (DEFICIT) - END OF YEAR	$ 18,574,994	$ (44,550,758)	$ (30,686,257)	$ (22,359,550)	$ (30,514,749)	$ (108,620,219)	$ 11,600,330	$ -	$ (3,785,976)	$ 27,638,339	$ (3,179,550)	$ (753,105)	$ 1,705,182	$ (31,186,552)	$ (216,117,871)

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