ASBURY COMMUNITIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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.

Audit Committee
Asbury Communities, Inc.

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, 2019 and 2018, 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 Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2019, Asbury Communities, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the consolidated financial statements, Asbury Communities, Inc. adopted provisions of Financial Accounting Standards Board Accounting Standards Update 2016-18, *Statement of Cash Flows.* The new accounting standard clarifies how restricted cash is to be classified and presented in the statement of cash flows. 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 22, 2020

ASBURY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 16,300,037	$ 21,523,396
Restricted Cash and Cash Equivalents	-	2,222,406
Investments	93,666,478	78,967,194
Accounts Receivable, Net of Allowance for Doubtful Accounts of $2,642,137 and $3,826,383 for December 31, 2019 and 2018, Respectively	8,534,734	9,705,057
Pledges Receivable, Net	482,006	628,174
Other Receivables and Prepaid Expenses	8,029,561	17,588,068
Investments Held under Bond Indenture	6,280,606	14,509,275
Total Current Assets	133,293,422	145,143,570
Property and Equipment, Net	350,363,809	405,434,761
Right-Of-Use Assets - Operating Leases	5,414,369	7,327,941
Investments Restricted by Donors	38,875,570	31,578,790
Long-Term Investments	-	134,192
Deposits and Other Assets	2,533,666	2,361,416
Other Intangible Assets, Net	6,730,000	6,730,000
Valuation of Derivative Instrument	3,631	73,621
Investments Held under Bond Indenture	18,882,297	22,778,032
Statutory Reserves	19,849,246	19,976,524
Investments Restricted by Board	4,621,541	4,224,088
Pledges Receivable, Net	2,548,671	2,016,132
Funds Held in Trust	1,852,579	1,807,828
Total Assets	$ 584,968,801	$ 649,586,895

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 14,420,782	$ 15,366,408
Accrued Compensation and Related Items	11,804,136	15,584,452
Accrued Interest Payable	4,295,480	7,433,263
Obligations under Charitable Gift Annuities	672,824	740,974
Deposits from Prospective Residents	3,980,663	3,748,761
Entrance Fees - Refundable	4,623,191	6,871,850
Deferred Revenue	624,368	1,873,844
Current Portion of Lease Liabilities - Operating Leases	1,177,894	1,366,083
Current Portion of Long-Term Debt	9,894,949	70,304,849
Total Current Liabilities	51,494,287	123,290,484
Long-Term Lease Liabilities - Operating Leases	4,951,775	6,650,357
Long-Term Debt, Net	271,275,834	282,124,079
Projected Refund of Standard Entrance Fees	5,024,225	5,165,014
Contingent Refundable Entrance Fee Liability	205,850,526	267,277,882
Entrance Fees - Deferred Revenue	171,479,993	175,782,847
Estimated Obligation to Provide Future Services, in Excess of Amounts Received or to be Received	-	2,173,271
Valuation of Derivative Instruments	67,413	-
Obligations under Charitable Gift Annuities	3,066,208	3,187,047
Other Long-Term Liabilities	-	53,785
Total Liabilities	713,210,261	865,704,766
NET ASSETS (DEFICIT)		
Without Donor Restriction	(162,498,551)	(251,393,455)
With Donor Restrictions	34,257,091	35,275,584
Total Net Deficit	(128,241,460)	(216,117,871)
Total Liabilities and Net Deficit	$ 584,968,801	$ 649,586,895

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES, GAINS, AND OTHER SUPPORT		
Net Resident Service Revenue	$ 187,751,026	$ 195,693,394
Other Operating Revenue	6,246,410	6,438,353
Amortization of Entrance Fees	24,091,302	24,230,921
Interest and Dividend Income, Net	6,343,554	6,669,090
Net Realized Loss on Investments	(1,286,763)	(1,774,443)
Net Unrealized Gain (Loss) on Equity Securities	18,053,966	(9,691,082)
Contributions	2,316,173	3,720,959
Net Assets Released from Restrictions Used for Operations	486,207	422,585
Total Revenues, Gains, and Other Support	244,001,875	225,709,777
EXPENSES		
Salaries	87,767,949	91,529,457
Employee Benefits	18,285,628	21,033,618
Cost of Goods Sold	120,854	100,554
Contract Labor	17,943,017	18,175,064
Food Purchases	8,344,128	8,588,192
Medical Supplies and Other Resident Costs	7,826,552	8,659,533
General and Administrative	12,858,481	12,610,372
Building and Maintenance	22,429,148	23,079,275
Professional Fees and Insurance	2,385,200	2,251,254
Interest	16,809,412	20,356,072
Taxes	5,600,836	6,391,522
Provisions for Bad Debts	1,080,794	1,793,846
Depreciation and Amortization	33,684,978	33,239,187
Total Expenses	235,136,977	247,807,946
INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED GAIN (LOSS) ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON DISPOSAL OF ASSETS, SALE OF CCNC, GAIN DUE TO DE-CONSOLIDATION OF INVERNESS, CHANGE IN OBLIGATION TO PROVIDE FUTURE SERVICES, AND GAIN (LOSS) ON RETIREMENT OF DEBT	8,864,898	(22,098,169)
Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments	(137,403)	11,062,207
Loss on Disposal of Assets	(53,836,767)	(295,331)
Sale of CCNC	-	3,577,402
Gain Due to De-Consolidation of Inverness	71,358,373	-
Change in Obligation to Provide Future Services	-	(2,173,271)
Gain (Loss) on Retirement of Debt	60,264,840	(630,644)
INCOME (LOSS) FROM OPERATIONS	86,513,941	(10,557,806)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET DEFICIT (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Income (Loss) from Operations	$ 86,513,941	$ (10,557,806)
Net Assets Released from Restrictions Used for Purchases of Capital Items	2,062,231	953,573
Net Unrealized Gain (Loss) on Fixed Income Securities and Other Investments	318,732	(600,177)
Net (Increase) Decrease in Net Deficit Without Donor Restrictions	88,894,904	(10,204,410)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	2,342,246	4,714,988
Net Assets Released from Restrictions for Operations	(486,207)	(422,585)
Net Assets Released from Restrictions Used for Purchases of Capital Items	(2,062,231)	(953,573)
Transfer of Net Assets Due to De-Consolidation of Inverness	(501,154)	-
Changes in Value of Obligations under Charitable Gift Annuities	(257,500)	(252,390)
Change in Value of Deferred-Giving Arrangements	(53,647)	(37,729)
Net Increase (Decrease) in Net Assets With Donor Restrictions	(1,018,493)	3,048,711
CHANGES IN NET DEFICIT	87,876,411	(7,155,699)
Net Deficit - Beginning of Year	(216,117,871)	(208,962,172)
NET DEFICIT - END OF YEAR	$ (128,241,460)	$ (216,117,871)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Deficit	$ 87,876,411	$ (7,155,699)
Adjustments to Reconcile Changes in Net Deficit to Net Cash Provided by Operating Activities:		
Provision for Bad Debts	1,080,794	1,793,846
Depreciation and Amortization	33,684,978	33,239,187
Amortization of Deferred Financing Costs	375,970	398,238
Amortization of Bond Premium/Discount	(770,911)	(407,822)
Amortization of Entrance Fees	(24,091,302)	(24,230,921)
Net Proceeds from Nonrefundable Entrance and Advance Fees	28,075,529	36,084,004
Net Unrealized (Gain) Loss on Investments	(18,372,698)	10,291,258
Net Unrealized (Gains) Losses on Change in Market Value of Derivative Instruments	137,403	(11,062,207)
Changes in Value of Obligations under Charitable Gift Annuities	311,147	290,119
Restricted Contributions Received	(2,342,246)	(4,714,988)
Loss on Disposal of Assets	53,836,767	295,331
Sale of Inverness Assets	(71,358,373)	-
(Gain) Loss on Retirement of Debt	(60,264,840)	630,644
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	89,529	(1,971,397)
Other Receivables and Prepaid Expenses	859,620	2,535,098
Deferred Entrance Fees	8,698,884	(6,603,313)
Deposits and Other Assets	(172,250)	(226,597)
Pledges Receivable, Net	(386,371)	(221,457)
Deferred Revenue	(1,718,555)	418,635
Accounts Payable and Accrued Expenses	(6,246,816)	1,718,552
Accrued Interest Payable	(3,137,783)	(1,670,018)
Net Cash Provided by Operating Activities	26,164,887	29,381,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(32,450,793)	(18,250,368)
Funds Held in Trust	(44,751)	109,287
Purchases of Investments, Net	(3,886,627)	(7,158,102)
Net Cash Used by Investing Activities	(36,382,171)	(25,299,183)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	$ 23,158,181	$ 25,079,135
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(23,828,305)	(30,545,520)
Restricted Contributions	2,527,877	5,057,958
Proceeds from Issuance of Debt	75,489,000	111,220,756
Premiums from Issuance of Debt	3,384,485	9,624,956
Change in Other Long-Term Liabilities	(53,785)	240,022
Payments on Long-Term Debt	(7,890,797)	(18,495,520)
Redemption of Long-Term Debt	(80,630,000)	(96,860,000)
Redemption of Derivative Instrument	-	(13,539,520)
Payments for Deferred Financing Costs	(951,052)	(1,414,850)
Payments on Obligations under Charitable Gift Annuities	(685,767)	(718,695)
Net Cash Used by Financing Activities	(9,480,163)	(10,351,278)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(19,697,447)	(6,269,103)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	81,009,633	87,278,736
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 61,312,186	$ 81,009,633
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 20,342,136	$ 22,035,674

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) (until the sale of IV assets on October 31, 2019); Asbury Communities HCBS, Inc. (HCBS); Calvert County Nursing Center (CCNC) (until the sale of CCNC assets on October 1, 2018); Bethany Development Inc. (BDC); 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).

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 Solomons, 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, which owned and operated a CCRC located in Tulsa, Oklahoma until the sale of substantially all of its assets on October 31, 2019. An event of default on the IV long term debt (Series 2012 IV Bonds and Series 2013 IV Bonds, see Note 9) occurred January 2018 and continued to occur through December 2018, prompting the trustee to file a petition for appointment of receiver in the District Court of Creek County, Oklahoma. Under the oversight of the receiver, IV board of directors, and its advisors, an asset sale was initiated and completed in 2019. As a component of the sale process, IV filed a petition for bankruptcy in the United States Bankruptcy Court, Northern District of Oklahoma in July 2019. Substantially all of IV's assets were sold on October 31, 2019 to Tulsa Hills Community, Inc. Proceeds from the sale were used to pay costs approved by the bankruptcy court, with the balance transferred to the bond trustee. There were no excess proceeds to satisfy outstanding obligations to the unsecured creditors. As a result, ACOMM deconsolidated IV from the consolidated ACOMM financial statements and recognized a loss as of October 31, 2019, and removed IV as a supported organization on December 5, 2019. Included in the loss on disposal of assets on the consolidated statements of operations and changes in net deficit is $53,700,245 of disposals related to IV. Included in the gain (loss) on retirement of debt on the consolidated statements of operations and changes in net deficit is $62,509,223 of gain on retirement of debt related to IV. A gain due to the de-consolidation of IV of $71,358,373 is also included in the consolidated statements of operations and changes in net deficit.

NOTE 1 ORGANIZATION (CONTINUED)

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.

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, Maryland. 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,(until the sale of IV assets) CCNC (until the sale of CCNC assets), 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.

BDC – BDC is a nonprofit 149-unit rental housing project for the elderly located in Mechanicsburg, Pennsylvania. BDC is operated under Section 207 pursuant to Section 223(f) of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

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 (until the sale of substantially all of IV assets on October 31, 2019), HCBS, Asbury, Inc. and Forest Ridge Manor, AFOUND, TAG, CCNC (until the sale of CCNC assets), 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Restricted Cash

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. Cash and cash equivalents within funds identified as investments held under bond indenture and statutory reserves are considered restricted in nature.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows at December 31, 2019 and 2018:

	2019	2018
Cash	$ 16,300,037	$ 21,523,396
Restricted Cash and Cash Equivalents	-	2,222,406
Restricted Cash Included in Current Investments Held under Bond Indenture	6,280,606	14,509,275
Restricted Cash Included in Long-Term Investments Held under Bond Indenture	18,882,297	22,778,032
Restricted Cash Included in Statutory Reserves	19,849,246	19,976,524
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statements of Cash Flows	$ 61,312,186	$ 81,009,633

Accounts Receivable and Contractual Allowances

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

Under the Medicare and Medicaid reimbursement and other third-party agreements, amounts collected for services to patients under these agreements are computed at contractually agreed-upon rates. Accounts receivable have been adjusted to reflect the difference between charges and the reimbursable amounts under these third-party contracts. Revenues from Medicare and Medicaid programs and other third-party agreements accounted for approximately 26% and 30% of the Company's total net resident service revenues for the years ended December 31, 2019 and 2018, 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 $1,852,579 and $1,807,828 as of December 31, 2019 and 2018, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

Substantially all investments are held in an investment account 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

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.

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 some of 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets–operating lease, lease liability–operating leases, and finance leases are included in right-of-use (ROU) assets–financing and lease liability–financing, if any, in the consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Company has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

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.

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 2019.

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 $1,527,329 and $1,532,316 for the years ended December 31, 2019 and 2018, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 for IV in the amount of $2,173,271. As noted in Note 1, IV was sold on October 31, 2019, and therefore, no liability was necessary as of December 31, 2019.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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 90th 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. Pursuant to the October 31, 2019 asset sale, Tulsa Hills Community, Inc. assumed responsibility for all resident entrance fee refunds (see Note 1).

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

A summary of net entrance fees is as follows at December 31:

	2019	2018
Entrance Fees - Refundable	$ 4,623,191	$ 6,871,850
Contingent Refundable Entrance Fee Liability	$ 205,850,526	$ 267,277,882
Entrance Fees - Deferred Revenue:		
25% to 95% Refundable Contracts	$ 8,197,879	$ 12,997,238
Standard Entry Fee Option Contracts:		
Five-Year Contracts	164,387,144	161,027,441
Nine-Year Contracts	2,336,225	2,835,268
50-Month Contracts	1,421,363	1,327,123
100-Month Contracts	-	2,579,949
Nonrefundable Contracts	161,607	180,842
Total	176,504,218	180,947,861
Less: Projected Refund of Standard Entrance Fees	(5,024,225)	(5,165,014)
Total	$ 171,479,993	$ 175,782,847
Total Entrance Fees	$ 381,953,710	$ 449,932,579

The portions of the above entrance fees that continue to be subject to any contractual refund obligation as of December 31, 2019 and 2018 were $280,205,032 and $344,972,856, respectively.

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, 2019 and 2018 is as follows:

	2019	2018
Medicaid	$ 23,015,745	$ 27,203,663
Medicare	24,976,953	28,817,637
Managed Care	1,307,997	1,519,189
Private Pay	138,450,331	138,152,905
Total Resident Services Revenue	$ 187,751,026	$ 195,693,394

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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

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, 2019 and 2018 are as follows:

	2019							
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Asbury Communities HCBS, Inc.	Total
Service Lines:								
Skilled Nursing Facility	$ 32,856,581	$ 6,124,564	$ 9,620,691	$ 9,379,137	$ 3,239,561	$ 19,607,343	$ -	$ 80,827,877
Assisted Living	13,387,416	2,118,957	8,223,632	1,979,765	2,363,570	5,688,727	-	33,762,067
Independent Living	30,315,264	9,307,602	9,522,138	5,386,499	8,067,141	5,292,402	-	67,891,046
Home Health	-	-	-	-	-	682,854	4,157,476	4,840,330
Retail Sales	44,957	52,226	161,496	71,509	54,969	44,549	-	429,706
Total	$ 76,604,218	$ 17,603,349	$ 27,527,957	$ 16,816,910	$ 13,725,241	$ 31,315,875	$ 4,157,476	$ 187,751,026
Method of Reimbursement:								
Fee for Services	$ 76,559,261	$ 17,551,123	$ 27,366,461	$ 16,745,401	$ 13,670,272	$ 31,271,326	$ 4,157,476	$ 187,321,320
Retail Sales	44,957	52,226	161,496	71,509	54,969	44,549	-	429,706
Total	$ 76,604,218	$ 17,603,349	$ 27,527,957	$ 16,816,910	$ 13,725,241	$ 31,315,875	$ 4,157,476	$ 187,751,026
Timing of Revenue and Recognition:								
Health Care Services Transferred Over Time	$ 76,559,261	$ 17,551,123	$ 27,366,461	$ 16,745,401	$ 13,670,272	$ 31,271,326	$ 4,157,476	$ 187,321,320
Sales at Point in Time	44,957	52,226	161,496	71,509	54,969	44,549	-	429,706
Total	$ 76,604,218	$ 17,603,349	$ 27,527,957	$ 16,816,910	$ 13,725,241	$ 31,315,875	$ 4,157,476	$ 187,751,026

	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

Contract Costs

The Company has applied the practical expedient provided by Financial Accounting Standards Board (FASB) Accounting Standards Codification 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, 2019 and 2018 was $2,566,599 and $2,490,982, respectively.

Occupancy Percentages

During the years ended December 31, 2019 and 2018, 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:

	2019					
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.
Total Skilled Nursing Center Occupancy	91%	86%	96%	95%	86%	78%
Medicaid	51%	37%	33%	29%	0%	31%
Medicare	21%	13%	15%	8%	22%	34%
Managed Care	0%	0%	0%	0%	0%	0%
Private Pay and Other	28%	50%	52%	63%	78%	36%

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

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.

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 and BV. Net assets with donor restrictions that are temporary in nature held on behalf of IV prior to the sale were held by BV. The net assets 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 and BV for the benefit of Asbury Atlantic, Inc. Net assets with donor restrictions that are perpetual in nature held on behalf of IV prior to the sale were held by IV. The net assets held by AFOUND are held in an 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.

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 2016-02

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective January 1, 2019, and has elected to apply the provisions of this standard to the beginning of the earliest comparative period presented. 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 Standard – ASU No. 2016-18

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company's financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 22, 2020, the date the consolidated financial statements were issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, the Company has a working capital of $81,799,135 and $21,853,086, respectively. Days of cash on hand was 244 as of December 31, 2019.

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:

	2019	2018
Cash and Cash Equivalents	$ 16,300,037	$ 21,523,396
Investments	93,666,478	78,967,194
Accounts Receivable, Net	8,534,734	9,705,057
Pledges Receivable, Net	482,006	628,174
Other Receivables	8,029,561	17,588,068
Investments Held Under Bond Indenture	6,280,606	14,509,275
Total Financial Assets	$ 133,293,422	$ 142,921,164

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.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Skilled Nursing Facility Services

Medicare Reimbursement

The Balanced Budget Act of 1997 modified how payment is made for Medicare skilled nursing facility (SNF) services. SNF's are reimbursed on the basis of a prospective payment system (PPS). The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing covered SNF services (routine, ancillary, and capital-related costs). Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. The Centers for Medicare and Medicaid Services (CMS) recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

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, 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.

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 (Pennsylvania Medicaid). 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.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Skilled Nursing Facility Services (Continued)

Pennsylvania Medicaid Reimbursement (Continued)

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.

Tennessee Medicaid Reimbursement

Under the Tennessee Medicaid reimbursement system (Tennessee Medicaid), 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.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Other (Continued)

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 2019 or 2018.

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, 2019 and 2018. 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, 2019 and 2018, AMV and AS are in compliance with the reserve requirement. The total amount reserved for AMV is as follows as of December 31:

	2019	2018
Maryland Department of Aging Reserves:		
Operating Expenses	$ 86,093,911	$ 85,450,488
Less: Depreciation and Amortization Expense	(14,407,752)	(14,003,501)
Interest Expense	(5,595,924)	(6,951,557)
Net Operating Expenses	$ 66,090,235	$ 64,495,430
Total Operating Reserve (15% of Net Operating Expenses)	$ 9,913,535	$ 9,674,315
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	$ 9,913,535	$ 9,674,315
Cash and Marketable Securities Available for Operating Reserve	$ 12,557,145	$ 11,609,177

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

State of Maryland Reserve Requirement (Continued)

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

	2019	2018
Maryland Department of Aging Reserves:		
Operating Expenses	$ 19,020,562	$ 19,851,113
Less: Depreciation and Amortization Expense	(2,893,143)	(2,987,165)
Interest Expense	(1,658,540)	(2,037,993)
Net Operating Expenses	$ 14,468,879	$ 14,825,955
Total Operating Reserve (15% of Net Operating Expenses)	$ 2,170,332	$ 2,223,893
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	$ 2,170,332	$ 2,223,893
Cash and Marketable Securities Available for Operating Reserve	$ 2,749,087	$ 2,668,672

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 statutory minimum liquid reserve requirement as of December 31, 2019 and 2018 is $3,650,630 and $4,667,736, respectively, and is based on the projected annual debt service requirements for BV. The statutory minimum liquid reserve requirement as of December 31 for BV is as follows:

	2019	2018
Projected Annual Interest Expense	$ 4,139,429	$ 5,071,207
Principal Payments Due on Long-Term Debt	1,151,339	1,596,987
Liquid Reserve Requirement	5,290,768	6,668,194
Projected Annual Operating Expenses	24,044,026	22,979,913
Minimum Rate	10%	10%
Liquid Reserve Requirement	2,404,403	2,297,991
Maximum Liquid Reserve Requirement	5,290,768	6,668,194
Approximate Percentage of Continuing Care Clients	69%	70%
Statutory Minimum Liquid Reserve	$ 3,650,630	$ 4,667,736

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements (Continued)

SH must adhere to the same reserve requirements. The statutory minimum liquid reserve requirement as of December 31, 2019 is $892,384 and is based on 10% of the projected annual operating expenses exclusive of depreciation and bad debt. The statutory minimum liquid reserve as of December 31, 2018 is $1,030,939 and is based on the projected annual debt service requirements for SH. The statutory minimum liquid reserve requirement as of December 31 for SH is as follows:

	2019	2018
Projected Annual Interest Expense	$ 1,141,560	$ 1,380,652
Principal Payments Due on Long-Term Debt	313,661	428,013
Liquid Reserve Requirement	1,455,221	1,808,665
Projected Annual Operating Expenses	15,655,859	14,952,191
Minimum Rate	10%	10%
Liquid Reserve Requirement	1,565,586	1,495,219
Maximum Liquid Reserve Requirement	1,565,586	1,808,665
Approximate Percentage of Continuing Care Clients	57%	57%
Statutory Minimum Liquid Reserve	$ 892,384	$ 1,030,939

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:

	2019	2018
Private Pay	46 %	52 %
Medicaid	21	15
Medicare	15	18
Other (Primarily Managed Care and Insurance)	18	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:

	2019	2018
Investments:		
Cash and Short-Term Investments	$ 678,128	$ 1,023,369
Fixed-Income Securities and Mutual Funds	39,584,932	39,668,407
Equity Securities and Equity Mutual Funds	53,403,418	38,275,418
Investment in Land, at Cost	-	134,192
Total Investments	$ 93,666,478	$ 79,101,386
Investments Restricted by Donors:		
Cash and Short-Term Investments	$ 852,341	$ 686,011
Fixed-Income Securities and Mutual Funds	9,616,897	7,864,019
Equity Securities and Equity Mutual Funds	28,325,120	22,860,883
Real Estate Mutual Funds	81,212	167,877
Total Investments Restricted by Donors	$ 38,875,570	$ 31,578,790
Statutory Reserves:		
Cash and Short-Term Investments	$ 19,849,246	$ 19,976,524
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	$ 25,162,903	$ 37,287,307
Investments Restricted by Board:		
Cash and Short-Term Investments	$ 34,335	$ 51,499
Fixed-Income Securities and Mutual Funds	1,963,845	2,133,282
Equity Securities and Equity Mutual Funds	2,623,361	2,039,307
Total Investments Restricted by Board	$ 4,621,541	$ 4,224,088

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

	2019	2018
Debt-Service Fund	$ 4,925,471	$ 11,467,702
Debt-Service Reserve Fund	18,134,995	23,703,220
Capital Improvement Fund	2,102,437	1,968,583
Capitalized Interest Fund	-	147,802
Total	25,162,903	37,287,307
Less: Current Portion	(6,280,606)	(14,509,275)
Long-Term Portion of Bond Indenture	$ 18,882,297	$ 22,778,032

NOTE 6 INVESTMENTS (CONTINUED)

The total return on investments, along with investments classified as assets whose use is limited and investments restricted by the 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:

	2019	2018
Included within the Company's Performance Indicator:		
Interest and Dividend Income, Net	$ 6,343,554	$ 6,669,090
Net Realized Loss on Investments	(1,286,763)	(1,774,443)
Net Unrealized Gain (Loss) on Equity Security Investments	18,053,966	(9,691,082)
Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments	(137,403)	11,062,207
Total	22,973,354	6,265,772
Included in Other Changes in Net Deficit:		
Net Unrealized Gain (Loss) on Fixed Income Securities and Other Investments	318,732	(600,177)
Total	$ 23,292,086	$ 5,665,595

Interest and dividend income is presented net of capitalized interest income related to construction projects. There was no capitalized interest income for the years ended December 31, 2019 and 2018.

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, 2019 and 2018, 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	2019	2018
Land and Improvements	10 to 40 Years	$ 48,050,613	$ 54,275,582
Buildings and Improvements	10 to 40 Years	598,979,482	666,285,905
Furniture and Equipment	2 to 15 Years	77,940,553	79,274,267
Construction in Progress		9,212,672	1,323,625
Total		734,183,320	801,159,379
Less: Accumulated Depreciation		(383,819,511)	(395,724,618)
Property and Equipment, Net		$ 350,363,809	$ 405,434,761

NOTE 7 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense was $33,510,245 and $33,181,650 for the years ended December 31, 2019 and 2018, respectively.

Interest is capitalized for assets that require a period of time to be constructed or to prepare them for their intended use. For both the years ended December 31, 2019 and 2018, the amount of interest expense capitalized was $-0-.

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:

	2019	2018
Amounts Expected to be Collected in:		
Less than One Year	$ 482,006	$ 628,174
One Year to Five Years	2,548,671	2,016,132
Total	$ 3,030,677	$ 2,644,306

Pledges receivable were recorded net of reserve for uncollectible pledges of $121,318 and $145,207 as of December 31, 2019 and 2018, 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 net asset with donor restrictions.

Obligations related to charitable gift annuities issued by AFOUND and BV are recorded at the present value of the future interest payments based on the donor's life expectancy.

Amounts donated in excess of the liability are recorded as donations with donor restrictions in the consolidated statements of operations and changes in net deficit. The present value of the liability is determined by discounting estimated future payments at the adjusted federal rate. This rate is adjusted annually and was 1.69% and 2.20% at December 31, 2019 and 2018, 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, 2019 and 2018, AFOUND had segregated $9,103,287 and $7,486,787 as investments restricted by donors in the accompanying consolidated balance sheets as of December 31, 2019 and 2018, respectively and, therefore, has met its minimum reserve requirement at December 31, 2019 and 2018. 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	2019	2018
Series 2019A MD Bonds	Fixed Rate Revenue Bonds	2019 - 2023	$ 10,999,000	$ -
Series 2019B MD Bonds	Fixed Rate Revenue Bonds	2019 - 2027	4,995,000	-
Series 2019 PA Bonds	Fixed Rate Revenue Bonds	2021 - 2045	59,480,000	-
Series 2018A MD Bonds	Fixed Rate Revenue Bonds	2023 - 2036	82,540,000	82,565,000
Series 2018B MD Bonds	Fixed Rate Revenue Bonds	2022 - 2027	13,555,000	13,555,000
Series 2016A TN Bonds	Fixed Rate Revenue Bonds	2024 - 2047	23,170,000	23,170,000
Series 2016B TN Bonds	Variable (3.23% as of 12/31/19)	2018 - 2046	14,849,510	15,294,030
Series 2016C TN Bonds	Variable (3.23% as of 12/31/19)	2017 - 2023	3,931,042	4,846,538
Series 2013 IV Bonds	Fixed Rate Revenue Bonds	2019 - 2037	-	24,110,000
Series 2012 IV Bonds	Fixed Rate Revenue Bonds	2012 - 2032	-	37,515,000
Series 2012 PA Bonds	Fixed Rate Revenue Bonds	2014 - 2036	48,615,000	49,170,000
Series 2010 PA Bonds	Fixed Rate Revenue Bonds	2012 - 2045	-	66,360,000
Series 2009B MD Bonds	Fixed Rate Revenue Bonds	2011 - 2023	-	19,450,000
Total			262,134,552	336,035,568
Unamortized Bond Premium/Discount, Net			14,555,251	11,222,835
Unamortized Bond Financing Costs, Net			(4,195,628)	(6,166,043)
Current Portion Bonds Payable			(7,822,991)	(67,644,888)
Total Bonds Payable			264,671,184	273,447,472
Forest Ridge Manor HUD Advance			3,293,600	3,293,600
BDC HUD-Insured Mortgage Payable			1,318,442	1,465,283
BV Note Payable			263,798	776,917
MD Obligated Group Loan Payable			3,666,667	5,666,667
Forest Ridge Manor Affordable Housing Program Grant			134,101	134,101
Total			8,676,608	11,336,568
Current Portion Notes Payable			(2,071,958)	(2,659,961)
Total Notes Payable			6,604,650	8,676,607
Total Long-Term Debt			$ 271,275,834	$ 282,124,079

<u>Series 2019 Maryland (MD) Bonds</u>

On November 8, 2019, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg pursuant to which the City of Gaithersburg sold the Series 2019A and Series 2019B Bonds. From the proceeds, the MD Obligated Group borrowed $16,009,000 of Economic Development Project and Refunding Revenue Bonds Series 2019 (the Series 2019 Bonds), which was compromised of $11,009,000 of Series 2019A Bonds and $5,000,000 of Series 2019B Bonds maturing on November 1, 2023 and November 1, 2027, respectively. The Series 2019 Bonds bear interest at an annual rate equal to 81% of the sum of one-month LIBOR plus 1.0%, multiplied by a margin rate.

The proceeds of the Series 2019 MD Bonds were utilized to refund all of the Series 2009B Maryland Bonds, to pay the costs of improving and renovating the facilities at the Asbury Methodist Village location, and to pay certain expenses incurred in connection with the issuance of the Series 2019 Bonds.

NOTE 9 DEBT (CONTINUED)

Series 2019 Pennsylvania (PA) Bonds

On December 31, 2019, Asbury Pennsylvania Obligated Group entered into a loan agreement with Cumberland County Municipal Authority (the Authority) pursuant to which the Authority sold the Series 2019 bonds. From the proceeds, the Obligated Group borrowed $59,480,000 of Refunding Revenue Bonds (Asbury Pennsylvania Obligated Group), Series 2019, referred to as the Series 2019 PA Bonds). The Series 2019 PA Bonds are comprised of serial bonds at fixed rates between 2.5% and 5.0% with yields between 2.70% and 3.96%.

The proceeds of the Series 2019 PA Bonds were used to refund all of the Series 2010 PA Bonds, to fund the debt service reserve fund, and to pay certain expenses incurred in connection with the issuance of the Series 2019 PA Bonds.

As required by the bond agreements, the PA 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 2018 Maryland (MD) Bonds

On October 1, 2018, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg pursuant to which the City of Gaithersburg sold the Series 2018A and Series 2018B Bonds. From the proceeds, the MD 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.

NOTE 9 DEBT (CONTINUED)

Series 2016 Asbury Place (TN) Bonds (Continued)

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.

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, 2019 and 2018, the total amount drawn on Series 2016 B TN was $15,364,029.

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 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%.

NOTE 9 DEBT (CONTINUED)

Series 2013 Inverness (IV) Bonds (Continued)

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.

On October 31, 2019, IV sold its assets to Tulsa Hills Community, Inc. (see Note 1).

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 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 serial bonds at fixed rates between 3.0% and 6.0% with yields between 3.0% and 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.

NOTE 9 DEBT (CONTINUED)

Series 2012 Inverness (IV) Bonds (Continued)

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. On October 31, 2019, IV sold its assets to Tulsa Hills Community, Inc. (see Note 1).

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, 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%.

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.

The proceeds of the Series 2019 PA bonds were utilized to refund all of the Series 2010 PA Bonds.

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 MD Obligated Group borrowed $43,820,000 of Economic Development Refunding Revenue Bonds, 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%.

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. The proceeds of the Series 2019 MD Bonds were utilized to refund all of the Series 2009B MD Bonds.

As required by the bond agreements, the MD 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.

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 $375,970 and $398,238 for the years ended December 31, 2019 and 2018, 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 ($770,911) and ($407,822) for the years ended December 31, 2019 and 2018, 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 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.

NOTE 9 DEBT (CONTINUED)

Liens and Covenants (Continued)

Under the Pennsylvania Master Loan Agreements, the lenders have a first lien and claim on all receipts of the Pennsylvania Obligated Group, except the restricted donations and contributions. The terms of the indenture agreements restrict the 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, 2019, management is not aware of any noncompliance with these covenants.

IV was subject to various covenants prior to the sale of its assets to Tulsa Hills Community, Inc. on October 31, 2019 (see Note 1).

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. In addition, monthly deposits for replacement reserves are required. The advance is collateralized by the project costs and the related land of FRM.

NOTE 9 DEBT (CONTINUED)

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, 2019, the $7,500,000 term loan has been paid off in full, and there is $3,666,667 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.

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
2020	$ 9,894,949
2021	10,817,903
2022	10,208,438
2023	11,869,438
2024	11,386,595
Thereafter	216,633,837
Total	$ 270,811,160

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.

Asbury Atlantic entered into swap agreements concurrent with the issuance of the Series 2019 bonds. Under these agreements, Asbury Atlantic pays a fixed rate of interest of 2.2226% (Series 2019A) and 2.3090% (Series 2019B) and receives payments based on a floating rate based upon 81% of one-month LIBOR. Payments on the Series 2019A agreement began on November 8, 2019 and will terminate on November 1, 2023. Payments on the Series 2019B agreement began on November 8, 2019 and will terminate on November 1, 2027.

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.

NOTE 10 DERIVATIVE INSTRUMENTS (CONTINUED)

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	Series 2019A	Series 2019B	Total
Notional Amount - December 31, 2019	$ -	$ -	$ 3,931,041	$10,999,000	$ 4,995,000	
Trade Date	12/8/2006	8/13/2001	10/6/2016	11/8/2019	11/8/2019	
Effective Date	1/1/2013	8/23/2001	4/3/2017	11/8/2019	11/8/2019	
Termination or Cancellation Date	6/28/2018	6/28/2018	4/1/2023	11/1/2023	11/1/2027	
Fixed Rate	5.128%	0.9194%	0.998%	2.226%	2.309%	
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
Unrealized Loss	-	-	(69,990)	(19,740)	(47,673)	(137,403)
Fair Value at December 31, 2019	$ -	$ -	$ 3,631	$ (19,740)	$ (47,673)	$ (63,782)

The Company has included the fair market value of these derivative instruments as an asset (liability) of ($63,782) and $73,621 in the accompanying consolidated balance sheets as of December 31, 2019 and 2018, respectively.

Net unrealized gains (losses) on derivative instruments was ($137,403) and $11,062,207 in 2019 and 2018, respectively.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were $34,257,091 and $35,275,584 as of December 31, 2019 and 2018, respectively. Included in net assets with donor restrictions are investments to be held in perpetuity totaling $30,089,473 and $29,680,552 as of December 31, 2019 and 2018, 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.

A summary of the net assets with donor restrictions that are to be held in perpetuity is as follows at December 31:

	2019	2018
Endowment Fund - Beginning of Year	$ 29,680,552	$ 27,983,251
Contributions	720,068	1,987,478
Changes in Value of Obligations Under Charitable Gift Annuities	(311,147)	(290,177)
Endowment Fund - End of Year	$ 30,089,473	$ 29,680,552

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 $19,000 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.

The employer's contribution expense for the years ended December 31, 2019 and 2018 was $3,379,913 and $3,400,169, 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 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, 2020.

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 November 2019, 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, 2019, the Company's capital contributions were $560,508 which represents 4.52% 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, BDC, and Forest Ridge Manor, entered into a fully insured arrangement for workers' compensation coverage beginning March 1, 2018 and has been renewed through February 28, 2021. BV and BDC, together, are covered under a separate Workers' Compensation Trust. Forest Ridge Manor is also covered under its own separate plan.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Workers' Compensation Insurance (Continued)

Prior to March 1, 2018, the Company, excluding BV, BDC, and Forest Ridge Manor, 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, 2019 and 2018, 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.

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. The aggregate stop loss limit was in effect through July 31, 2019.

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 leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2024. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

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.

Total lease costs for the years ended December 31, 2019 and 2018 was $2,212,099 and $2,203,018, respectively.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease Commitments (Continued)

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 terminated the lease in August 2019.

In June 2019, TAG executed a new lease agreement for approximately 1,645 square feet of office space in Mechanicsburg, Pennsylvania. The term of the lease is for 2 years for an annual base rent of $32,818 in year one and $33,802 in year two.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2019 is as follows:

Year Ending December 31,	Amount
2020	$ 1,325,099
2021	1,057,482
2022	813,070
2023	721,457
2024	662,203
Thereafter	2,225,879
Total	6,805,190
Less: Interest Expense	(675,521)
Amounts Recognized in the Consolidated Balance Sheets	$ 6,129,669

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:

	2019		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 87,767,949	$ -	$ 87,767,949
Employee Benefits	18,285,628	-	18,285,628
Cost of Goods Sold	120,854	-	120,854
Contract Labor	17,943,017	-	17,943,017
Food Purchases	8,344,128	-	8,344,128
Medical Supplies and Other Resident Costs	7,826,552	-	7,826,552
General and Administrative	-	12,858,481	12,858,481
Building and Maintenance	22,429,148	-	22,429,148
Professional Fees and Insurance	2,385,200	-	2,385,200
Interest	-	16,809,412	16,809,412
Taxes	-	5,600,836	5,600,836
Provision for Bad Debts	1,080,794	-	1,080,794
Depreciation and Amortization	-	33,684,978	33,684,978
Total Functional Expenses	$ 166,183,270	$ 68,953,707	$ 235,136,977

	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

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, 2019			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 46,576,953	$ -	$ -	$ 46,576,953
Fixed-Income Securities and Mutual Funds	51,165,674	-	-	51,165,674
Equity Securities and Mutual Funds	84,351,899	-	-	84,351,899
Real Estate Mutual Funds	81,212	-	-	81,212
Derivative Instruments	-	3,631	-	3,631
Total	$ 182,175,738	$ 3,631	$ -	$ 182,179,369
Liabilities				
Derivative Instruments	$ -	$ (67,413)	$ -	$ (67,413)

	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
Total	$ 172,033,903	$ 73,621	$ -	$ 172,107,524

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:

	2019	2018
Current:		
Federal	$ -	$ -
State	2,379	4,924
Total Current	2,379	4,924
Deferred:		
Federal	(69,994)	(366,099)
State	(56,407)	(209,268)
Valuation Allowance	(29,528)	575,367
Total Deferred	(155,929)	-
Total	$ (153,550)	$ 4,924

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

	2019	2018
Net Operating Loss Carryforwards	$ 1,086,163	$ 944,576
Accrued Paid Time-Off Benefits	4,022	87,373
Accrued Expenses	66,972	-
Interest Expense Limitation	24,045	12,236
Deferred Revenue	72,607	146,329
Prepaid Insurance	(1,824)	(1,574)
Depreciation	(117,216)	(182,097)
Amortization	19,131	25,018
Federal Benefit of State Deferred	(38,443)	(47,535)
Provision for Bad Debt	4,337	9,103
Book-Tax Difference	37	-
Accrued Long-Term Compensation	-	-
Accrued Workers Compensation	1,857	1,857
Total	1,121,688	995,286
Valuation Allowance	(545,839)	(575,367)
Deferred Tax Asset	$ 575,849	$ 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 2019 and 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.

NOTE 17 SUBSEQUENT EVENTS

Coronavirus Disease

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Company, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown.

During the period from January 1, 2020 through April 22, 2020, both domestic and international equity markets have experienced significant declines.

Affiliation with Albright Care-Services

On January 1, 2020, Albright Care-Services (Albright), a tax-exempt, not-for-profit corporation, became an affiliate of the Company, by AComm serving as the supporting organization for Albright. Albright has continuing care retirement communities in Lewisburg and York, Pennsylvania, providing housing, health care, and other related services to elderly residents through the operation of nursing facilities, personal care facilities, and residential living units. Albright also operates a corporate office located on its Lewisburg campus and Albright Living Independence for Elderly (LIFE) Programs located in Lebanon, Lancaster, and Williamsport, Pennsylvania. Warrior Run Manor, Inc. (Warrior Run) is a not-for-profit corporation, controlled subsidiary of Albright that operates a HUD Section 202 76-unit residential facility located in Watsontown, Pennsylvania.

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	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	$ 13,110,606	$ 87,650	$ 199,420	$ 892,116	$ 700,907	$ 394,653	$ 379,020	$ 183,413	$ 53,001	$ 161,716	$ 32,079	$ 105,456	$ -	$ 16,300,037
Investments	33,083,241	37,418,787	872,354	6,737,919	1,241,612	-	14,238,649	-	3,237	36,227	-	34,452	-	93,666,478
Accounts Receivable, Net	-	3,683,517	468,563	810,480	644,588	-	2,072,723	395,872	-	458,991	-	-	-	8,534,734
Pledges Receivable, Net	-	-	-	-	-	-	-	-	482,006	-	-	-	-	482,006
Other Receivables and Prepaid Expenses	334,227	2,985,404	1,705,936	2,011,400	285,237	-	366,920	146,849	2,247	197,748	2,838	7,815	(17,060)	8,029,561
Investments Held under Bond Indenture	-	2,092,449	311,700	2,579,077	719,755	-	577,625	-	-	-	-	-	-	6,280,606
Total Current Assets	46,528,074	46,267,807	3,557,973	13,030,992	3,592,099	394,653	17,634,937	726,134	540,491	854,682	34,917	147,723	(17,060)	133,293,422
Due from ACOMM, Net	-	50,832,254	7,825,059	9,138,746	-	-	-	-	-	-	-	-	(67,796,059)	-
Property and Equipment, Net	2,459,362	145,657,425	40,694,563	78,257,990	19,340,955	-	60,741,221	44,721	17,567	2,044,470	2,455,392	1,108,498	(2,458,355)	350,363,809
Right-Of-Use Assets - Operating Leases	3,728,260	750,001	56,798	276,653	203,737	-	349,767	-	-	49,153	-	-	-	5,414,369
Investments Restricted by Donors	-	-	-	12,019,043	-	-	53,391	-	26,803,136	-	-	-	-	38,875,570
Long-Term Investments	1,291,616	-	-	-	-	-	-	-	-	-	-	-	(1,291,616)	-
Deposits and Other Assets	824,534	784,513	-	79,525	5,188	-	110,576	500	-	654,587	17,444	56,799		2,533,666
Other Intangible Assets	-	-	-	-	-	-	5,480,000	1,250,000	-	-	-	-	-	6,730,000
Valuation of Derivative Instrument	-	-	-	-	-	-	3,631	-	-	-	-	-	-	3,631
Investments Held under Bond Indenture	-	7,300,330	1,253,989	5,028,322	1,255,355	-	1,941,864	-	-	-	148,187	1,954,250	-	18,882,297
Statutory Reserves	-	12,557,145	2,749,087	3,650,630	892,384	-	-	-	-	-	-	-	-	19,849,246
Investments Restricted by Board	-	1,420,314	212,922	2,988,305	-	-	-	-	-	-	-	-	-	4,621,541
Pledges Receivable, Net	-	-	-	-	-	-	-	-	2,548,671	-	-	-	-	2,548,671
Funds Held in Trust	-	-	-	-	-	-	-	-	1,852,579	-	-	-	-	1,852,579
Beneficial Interest in Net Assets of Foundation	-	16,377,931	2,730,471	6,827,736	352,390	-	5,565	-	-	-	-	-	(26,294,093)	-
Total Assets	$ 54,831,846	$ 281,947,720	$ 59,080,862	$ 131,297,942	$ 25,642,108	$ 394,653	$ 86,320,952	$ 2,021,355	$ 31,762,444	$ 3,602,892	$ 2,655,940	$ 3,267,270	$ (97,857,183)	$ 584,968,801

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2019
(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.	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	$ 11,756,979	$ 1,762,104	$ 73,486	$ 245,349	$ 165,520	$ -	$ 767,160	$ 106,407	$ -	$ 561,957	$ 29,550	$ 117,004	$ (1,164,734)	$ 14,420,782
Accrued Compensation and Related Items	9,069,841	351,704	159,489	-	96,349	-	1,229,278	368,778	-	457,139	1,743	69,815	-	11,804,136
Accrued Interest Payable	-	2,083,367	305,781	982,107	291,725	-	629,720	-	-	-	-	2,780	-	4,295,480
Obligations under Charitable Gift Annuities	-	-	-	89,401	-	-	-	-	583,423	-	-	-	-	672,824
Deposits from Prospective Residents	-	2,277,924	330,630	1,035,890	172,788	-	153,279	-	-	-	10,152	-	-	3,980,663
Entrance Fees - Refundable	-	2,091,800	330,300	541,890	1,179,951	-	479,250	-	-	-	-	-	-	4,623,191
Deferred Revenue	-	350,858	72,429	52,893	36,406	-	75,911	24,427	1,705	9,704	35	-	-	624,368
Current Portion of Lease Liabilities - Operating Leases	433,985	422,280	30,900	89,870	79,010	-	89,450	-	-	32,399	-	-	-	1,177,894
Current Portion of Long-Term Debt	-	3,492,642	3,151,358	1,415,124	313,674	-	1,371,550	-	-	-	-	150,601	-	9,894,949
Total Current Liabilities	21,260,805	12,832,679	4,454,373	4,452,524	2,335,423	-	4,795,598	499,612	585,128	1,061,199	41,480	340,200	(1,164,734)	51,494,287
Due to ACOMM, Net	49,425,130	-	-	-	3,448,870	-	980,712	6,232,010	1,808,007	5,898,569	2,761	-	(67,796,059)	-
Long-Term Lease Liabilities - Operating Leases	4,009,575	327,721	25,898	186,783	124,727	-	260,317	-	-	16,754	-	-	-	4,951,775
Long-Term Debt, Net	-	98,152,456	18,083,631	85,833,056	23,520,668	-	41,144,504	-	-	-	3,427,701	1,113,818	-	271,275,834
Projected Refund of Standard Entrance Fees	-	2,211,081	1,172,234	1,139,877	454,827	-	46,206	-	-	-	-	-	-	5,024,225
Contingent Refundable Entrance Fee Liability	-	115,091,113	27,245,387	17,459,740	17,687,715	-	28,366,571	-	-	-	-	-	-	205,850,526
Entrance Fees - Deferred Revenue	-	85,689,753	33,100,902	40,668,932	7,709,308	-	4,311,098	-	-	-	-	-	-	171,479,993
Obligations under Charitable Gift Annuities	-	-	-	240,993	-	-	-	-	2,825,215	-	-	-	-	3,066,208
Valuation of Derivative Instruments	-	55,729	11,684	-	-	-	-	-	-	-	-	-	-	67,413
Other Long-Term Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	74,695,510	314,360,532	84,094,109	149,981,905	55,281,538	-	79,905,006	6,731,622	5,218,350	6,976,522	3,471,942	1,454,018	(68,960,793)	713,210,261
NET ASSETS (DEFICIT)														
Without Donor Restrictions	(19,863,664)	(48,790,742)	(27,743,718)	(33,020,552)	(29,991,820)	394,653	6,206,237	(4,710,267)	-	(3,373,630)	(816,002)	1,813,252	(2,602,298)	(162,498,551)
With Donor Restrictions	-	16,377,930	2,730,471	14,336,589	352,390	-	209,709	-	26,544,094	-	-	-	(26,294,092)	34,257,091
Total Net Assets (Deficit)	(19,863,664)	(32,412,812)	(25,013,247)	(18,683,963)	(29,639,430)	394,653	6,415,946	(4,710,267)	26,544,094	(3,373,630)	(816,002)	1,813,252	(28,896,390)	(128,241,460)
Total Liabilities and Net Assets (Deficit)	$ 54,831,846	$ 281,947,720	$ 59,080,862	$ 131,297,942	$ 25,642,108	$ 394,653	$ 86,320,952	$ 2,021,355	$ 31,762,444	$ 3,602,892	$ 2,655,940	$ 3,267,270	$ (97,857,183)	$ 584,968,801

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	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	$ -	$ 76,604,218	$ 17,603,349	$ 27,527,957	$ 16,816,910	$ 13,725,241	$ 31,315,875	$ 4,157,476	$ -	$ -	$ -	$ -	$ -	$ 187,751,026
Other Operating Revenue	9,728,753	1,131,705	132,574	579,915	89,905	265,456	236,799	136,782	-	8,771,273	242,673	1,349,647	(16,419,072)	6,246,410
Amortization of Entrance Fees	-	11,115,885	4,935,119	4,883,962	1,368,954	1,167,384	619,998	-	-	-	-	-	-	24,091,302
Interest and Dividend Income, Net	1,347,233	2,271,909	259,384	979,192	123,234	34,381	573,467	272	747,820	-	913	5,749	-	6,343,554
Net Realized Loss on Investments	(257,761)	(370,944)	(30,373)	(239,718)	(16,904)	-	102,214	-	(472,010)	(1,267)	-	-	-	(1,286,763)
Net Unrealized Gain on Equity Securities	3,606,590	5,332,403	425,171	3,240,444	236,627	-	1,148,347	-	4,064,384	-	-	-	-	18,053,966
Contributions	-	-	-	-	-	-	16,450	-	2,299,723	-	-	-	-	2,316,173
Net Assets Released from Restrictions Used for Operations	-	-	-	-	-	-	22,641	-	463,566	-	-	-	-	486,207
Allocations from Asbury Foundation, Inc.	-	4,591,706	636,422	1,071,349	70,488	173,519	21,709	5,971	-	-	-	-	(6,571,164)	-
Total Revenues, Gains, and Other Support	14,424,815	100,676,882	23,961,646	38,043,101	18,689,214	15,365,981	34,057,500	4,300,501	7,103,483	8,770,006	243,586	1,355,396	(22,990,236)	244,001,875
EXPENSES														
Salaries	9,793,513	29,416,831	5,644,062	9,252,768	6,871,210	4,865,012	14,214,537	3,306,734	-	4,206,154	37,900	424,366	(265,138)	87,767,949
Employee Benefits	1,374,343	5,768,129	1,237,313	2,066,425	1,519,705	1,547,144	3,445,254	556,934	-	710,111	11,207	110,076	(61,013)	18,285,628
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	1,103,076	-	-	(982,222)	120,854
Contract Labor	341,403	6,023,345	1,372,978	1,819,926	1,315,889	1,377,844	5,075,075	116,006	-	500,551	-	-	-	17,943,017
Food Purchases	-	3,474,427	837,136	911,359	759,868	760,239	1,601,099	-	-	-	-	-	-	8,344,128
Medical Supplies and Other Resident Costs	-	3,290,993	495,609	1,036,529	558,888	531,107	1,844,260	7,306	-	-	-	61,860	-	7,826,552
General and Administrative	2,599,465	1,977,708	529,320	498,628	412,823	3,462,941	1,137,299	424,274	710,526	945,276	49,553	110,668	-	12,858,481
Building and Maintenance	899,030	8,067,315	2,006,266	3,727,818	1,426,456	1,745,829	3,404,881	188,009	6,840	580,849	78,347	297,508	-	22,429,148
Professional Fees and Insurance	53,292	741,236	177,720	291,877	162,482	292,329	558,749	8,551	787	55,332	17,911	24,934	-	2,385,200
Interest	235,236	4,188,040	1,191,287	5,159,378	1,432,071	3,580,907	1,877,561	42,068	34	41,346	-	52,053	(990,569)	16,809,412
Taxes	5,756	1,969,663	764,859	871,050	162,884	248,210	1,693,763	-	733	(116,082)	-	-	-	5,600,836
Provisions for Bad Debts	-	605,069	(6,586)	53,120	(28,460)	66,486	313,013	118,586	(23,889)	(16,545)	-	-	-	1,080,794
Depreciation and Amortization	774,056	15,487,856	2,978,052	4,668,030	1,846,754	3,036,761	4,125,670	19,434	10,386	594,034	101,645	165,861	(123,561)	33,684,978
Management Fee and Other Fees	1,167,619	6,953,241	1,439,654	2,068,110	1,361,061	1,291,346	39,401	436,890	3,332	359,984	-	-	(15,120,638)	-
Allocations to Asbury Foundation, Inc.	-	-	-	-	-	-	-	-	6,571,164	-	-	-	(6,571,164)	-
Total Expenses	17,243,713	87,963,853	18,667,670	32,425,018	17,801,631	22,806,155	39,330,562	5,224,792	7,279,913	8,964,086	296,563	1,247,326	(24,114,305)	235,136,977
INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED LOSS ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON DISPOSAL OF ASSETS, GAIN (LOSS) DUE TO DE-CONSOLIDATION OF INVERNESS, AND GAIN (LOSS) ON RETIREMENT OF DEBT	(2,818,898)	12,713,029	5,293,976	5,618,083	887,583	(7,440,174)	(5,273,062)	(924,291)	(176,430)	(194,080)	(52,977)	108,070	1,124,069	8,864,898

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	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 Loss on Change in Market Value of Value of Derivative Instruments, Loss on Disposal of Assets, Gain (Loss) Due to De-Consolidation of Inverness, and Gain (Loss) on Retirement of Debt	$ (2,818,898)	$ 12,713,029	$ 5,293,976	$ 5,618,083	$ 887,583	$ (7,440,174)	$ (5,273,062)	$ (924,291)	$ (176,430)	$ (194,080)	$ (52,977)	$ 108,070	$ 1,124,069	$ 8,864,898
Net Unrealized Loss on Change in Market Value of Derivative Instruments	-	(55,729)	(11,684)	-	-	-	(69,990)	-	-	-	-	-	-	(137,403)
Loss on Disposal of Assets	-	-	-	(126,602)	-	(53,700,245)	-	-	-	-	(9,920)	-	-	(53,836,767)
Gain (Loss) Due to De-Consolidation of Inverness	(36,826,219)	-	-	-	-	108,184,592	-	-	-	-	-	-	-	71,358,373
Gain (Loss) on Retirement of Debt	-	(89,037)	(129,123)	(1,613,961)	(412,262)	62,509,223	-	-	-	-	-	-	-	60,264,840
INCOME (LOSS) FROM OPERATIONS	(39,645,117)	12,568,263	5,153,169	3,877,520	475,321	109,553,396	(5,343,052)	(924,291)	(176,430)	(194,080)	(62,897)	108,070	1,124,069	86,513,941
Transfers (to) from ACOMM, Net	1,184,000	(602,000)	-	(582,000)	-	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions Used for Purchases of Capital Items	-	25,067	500	250,477	1,778,469	6,611	1,107	-	-	-	-	-	-	- 2,062,231
Net Unrealized Gain on Fixed Income Securities and Other Investments	22,459	32,159	2,803	60,721	1,561	-	172,599	-	26,430	-	-	-	-	318,732
Net (Increase) Decrease in Net Assets (Deficit) Without Donor Restrictions	(38,438,658)	12,023,489	5,156,472	3,606,718	2,255,351	109,560,007	(5,169,346)	(924,291)	(150,000)	(194,080)	(62,897)	108,070	1,124,069	88,894,904
RESTRICTED NET ASSETS WITH DONOR RESTRICTIONS														
Contributions	-	-	-	-	-	-	3,144	-	2,339,102	-	-	-	-	2,342,246
Net Assets Released from Restrictions for Operations	-	-	-	-	-	-	(22,641)	-	(463,566)	-	-	-	-	(486,207)
Net Assets Released from Restrictions Used for Purchases of Capital Items	-	(25,067)	(500)	(250,477)	(1,778,469)	(6,611)	(1,107)		(2,061,127)	-	-	-	2,061,127	(2,062,231)
Transfer of Net Assets Due to De-Consolidation of Inverness	-	-	-	-	-	-	-	-	(501,154)	-	-	-	-	(501,154)
Changes in Value of Obligations under Charitable Gift Annuities	-	-	-	-	-	-	-	-	(257,500)	-	-	-	-	(257,500)
Change in Value of Deferred-Giving Arrangements	-	-	-	(53,647)	-	-	-	-	-	-	-	-	-	(53,647)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	-	139,524	517,038	372,993	398,437	(538,524)	5,566	-	-	-	-	-	(895,034)	-
Net Increase (Decrease) in Net Assets With Donor Restrictions	-	114,457	516,538	68,869	(1,380,032)	(545,135)	(15,038)	-	(944,245)	-	-	-	1,166,093	(1,018,493)
CHANGES IN NET ASSETS (DEFICIT)	(38,438,658)	12,137,946	5,673,010	3,675,587	875,319	109,014,872	(5,184,384)	(924,291)	(1,094,245)	(194,080)	(62,897)	108,070	2,290,162	87,876,411
Net Assets (Deficit) - Beginning 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)
NET ASSETS (DEFICIT) - END OF YEAR	$ (19,863,664)	$ (32,412,812)	$ (25,013,247)	$ (18,683,963)	$ (29,639,430)	$ 394,653	$ 6,415,946	$ (4,710,267)	$ 26,544,094	$ (3,373,630)	$ (816,002)	$ 1,813,252	$ (28,896,390)	$ (128,241,460)