ASBURY ATLANTIC, INC.

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Audit Committee
Asbury Atlantic, Inc.
Frederick, Maryland

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Asbury Atlantic, Inc., which comprise the combined balance sheets as of December 31, 2019 and 2018, and the related combined statements of operations and changes in net deficit, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 Atlantic, Inc.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Asbury Atlantic, Inc. as of December 31, 2019 and 2018, and the results of its operations, changes in its net assets, and its 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 1 to the combined financial statements, in 2019, Asbury Atlantic, 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 1 to the combined financial statements, Asbury Atlantic, 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 Supplementary Information

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The other financial information included in the combining balance sheet, combining statement of operations and changes in net deficit without donor restrictions, and combining statement of cash flows is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 22, 2020

ASBURY ATLANTIC, INC.
COMBINED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,880,093	$ 1,936,479
Investments	46,270,672	36,717,171
Accounts Receivable, Net of Allowance for Doubtful Accounts of $2,032,157 and $2,646,657 at December 31, 2019 and 2018, Respectively	5,607,148	6,487,034
Other Receivables and Prepaid Expenses	6,987,977	14,893,696
Investments Held under Bond Indenture	5,702,981	10,778,528
Total Current Assets	66,448,871	70,812,908
Due from ACOMM, Net	64,347,189	47,920,774
Property and Equipment, Net	283,950,933	280,556,197
Right-Of-Use Assets - Operating Leases	1,287,189	1,938,863
Investments Restricted by Donors	12,019,043	10,165,006
Long-Term Investments	-	134,192
Deposits and Other Assets	869,226	999,209
Investments Held under Bond Indenture	14,837,996	18,843,228
Statutory Reserves	19,849,246	19,976,524
Investments Restricted by Board	4,621,541	4,224,088
Beneficial Interest in Net Assets of Foundation	26,288,527	26,915,051
Total Assets	$ 494,519,761	$ 482,486,040

See accompanying Notes to Combined Financial Statements.

ASBURY ATLANTIC, INC.
COMBINED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 2,246,458	$ 2,007,162
Accrued Compensation and Related Items	607,542	888,327
Accrued Interest Payable	3,662,980	5,043,527
Obligations under Charitable Gift Annuities	89,401	92,134
Deposits from Prospective Residents	3,817,232	3,443,968
Entrance Fees - Refundable	4,143,941	4,788,596
Deferred Revenue	512,586	710,112
Current Portion of Lease Liabilities - Operating Leases	622,060	703,607
Current Portion of Long-Term Debt	8,372,798	8,248,119
Total Current Liabilities	24,074,998	25,925,552
Long-Term Lease Liabilities - Operating Leases	665,129	1,235,256
Long-Term Debt, Less Current Portion	225,589,811	234,896,104
Projected Refund of Standard Entrance Fees	4,978,019	5,064,717
Contingent Refundable Entrance Fee Liability	177,483,955	179,184,527
Entrance Fees - Deferred Revenue	167,168,895	164,032,254
Obligations under Charitable Gift Annuities	240,993	258,944
Valuation of Derivative Instruments	67,413	-
Total Liabilities	600,269,213	610,597,354
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(139,546,832)	(162,588,862)
With Donor Restrictions	33,797,380	34,477,548
Total Net Deficit	(105,749,452)	(128,111,314)
Total Liabilities and Net Deficit	$ 494,519,761	$ 482,486,040

See accompanying Notes to Combined Financial Statements.

ASBURY ATLANTIC, INC.
COMBINED 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	$ 138,552,434	$ 134,495,461
Other Operating Revenue	1,934,099	2,112,285
Amortization of Entrance Fees	22,303,920	22,158,259
Interest and Dividend Income, Net	3,633,719	4,247,876
Net Realized Loss on Investments	(657,939)	(826,480)
Net Unrealized Gain (Loss) Equity Security on Investments	9,234,645	(4,817,098)
Allocations from Asbury Foundation, Inc.	6,369,965	1,232,054
Total Revenues, Gains, and Other Support	181,370,843	158,602,357
EXPENSES		
Salaries	51,184,871	49,395,863
Employee Benefits	10,591,572	11,252,035
Contract Labor	10,532,138	10,260,586
Food Purchases	5,982,790	5,874,781
Medical Supplies and Other Resident Costs	5,382,019	5,282,320
General and Administrative	3,418,479	3,182,267
Building and Maintenance	15,227,855	12,997,444
Professional Fees and Insurance	1,373,315	1,257,792
Interest	11,970,776	13,963,393
Taxes	3,768,456	3,503,351
Provision for Bad Debts	623,143	1,155,784
Depreciation and Amortization	24,980,692	23,951,188
Management and Other Fees	11,822,066	13,090,429
Total Expenses	156,858,172	155,167,233
INCOME FROM OPERATIONS PRIOR TO NET UNREALIZED GAIN (LOSS) ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON RETIREMENT OF DEBT, AND LOSS ON DISPOSAL OF ASSETS	24,512,671	3,435,124
Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments	(67,413)	11,052,203
Loss on Retirement of Debt	(2,244,383)	(630,644)
Loss on Disposal of Assets	(126,602)	(107,082)
INCOME FROM OPERATIONS	22,074,273	13,749,601

See accompanying Notes to Combined Financial Statements.

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

	2019	2018
NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Income from Operations	$ 22,074,273	$ 13,749,601
Net Unrealized Gain (Loss) on Fixed Income Securities and Other Investments	97,244	(278,411)
Net Assets Released from Restrictions Used for Purchase of Capital Items	2,054,513	317,796
Transfers to ACOMM	(1,184,000)	(588,000)
Net Decrease in Net Deficit Without Donor Restrictions	23,042,030	13,200,986
NET ASSETS WITH DONOR RESTRICTIONS		
Net Assets Released from Restriction Used for Purchase of Capital Items	(2,054,513)	(317,796)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	1,427,992	3,975,235
Changes in Value of Obligations under Charitable Gift Annuities	(53,647)	(37,729)
Net Increase (Decrease) in Net Assets With Donor Restrictions	(680,168)	3,619,710
CHANGES IN NET DEFICIT	22,361,862	16,820,696
Net Deficit - Beginning of Year	(128,111,314)	(144,932,010)
NET DEFICIT - END OF YEAR	$ (105,749,452)	$ (128,111,314)

See accompanying Notes to Combined Financial Statements.

ASBURY ATLANTIC, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Deficit	$ 22,361,862	$ 16,820,696
Adjustments to Reconcile Changes in Net Deficit to Net Cash Provided by Operating Activities:		
Provision for Bad Debts	623,143	1,155,784
Depreciation and Amortization of Deferred Marketing Costs	24,980,692	23,951,188
Amortization of Deferred Financing Costs	239,436	248,001
Amortization of Bond Premium/Discount	(669,744)	(304,418)
Amortization of Entrance Fees	(22,303,920)	(22,158,259)
Net Proceeds from Nonrefundable Entrance and Advance Fees	27,685,429	35,684,774
Net Unrealized (Gains) Losses on Investments	(9,331,889)	5,095,509
Loss on Disposal of Assets	126,602	107,082
Loss on Retirement of Debt	2,244,383	630,644
Net Unrealized (Gains) Losses on Change in Market Value of Derivative Instruments	67,413	(11,052,203)
Changes in Beneficial Interest in Net Assets of Foundation	626,524	(3,657,441)
Changes in Value of Obligations Under Charitable Gift Annuities	53,647	37,729
Transfers to ACOMM	1,184,000	588,000
Changes in Assets and Liabilities:		
Accounts Receivable	256,743	(1,962,735)
Other Receivables and Prepaid Expenses	(793,168)	123,138
Deferred Entrance Fees	8,698,884	(6,435,420)
Other Assets	129,983	140,463
Deferred Revenue	(197,526)	(199,566)
Accounts Payable and Accrued Expenses	(41,488)	(943,113)
Accrued Interest Payable	(1,380,547)	(1,659,617)
Net Cash Provided by Operating Activities	54,560,459	36,210,236
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(28,502,030)	(18,822,434)
Purchases of Investments, Net	(2,338,910)	(12,647,462)
Net Cash Used by Investing Activities	(30,840,940)	(31,469,896)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	18,101,458	17,562,820
Proceeds from Issuance of Debt	75,489,000	109,659,520
Premiums from Issuance of Debt	3,384,485	9,624,956
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(22,404,984)	(21,714,382)
Payments on Debt	(8,288,122)	(15,633,381)
Redemption of Debt	(80,630,000)	(96,860,000)
Redemption of Derivative Instruments	-	(13,539,520)
Payments for Deferred Financing Costs	(951,052)	(1,414,850)
Payments on Obligations under Charitable Gift Annuities	(74,332)	(75,616)
Change in Due to ACOMM, Net	(16,426,415)	7,499,573
Transfers to ACOMM	(1,184,000)	(588,000)
Net Cash Used by Financing Activities	(32,983,962)	(5,478,880)
DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(9,264,443)	(738,540)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	51,534,759	52,273,299
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 42,270,316	$ 51,534,759
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 13,781,631	$ 15,679,427

See accompanying Notes to Combined Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Asbury Atlantic, Inc. (Atlantic or the Company) is a nonprofit, nonstock corporation organized under the laws of the state of Maryland. Asbury Communities, Inc. (ACOMM) is the sole member of Asbury Atlantic. Asbury Atlantic has operating affiliates comprised of Asbury Methodist Village (AMV), Asbury Solomons (AS), Bethany Village (BV), and Springhill (SH).

Prior to March 1, 2017, ACOMM was the sole member of Atlantic and AS. On March 1, 2017, Atlantic and AS entered into a Bill of Sale and Transfer Agreement (the Agreement). Under the terms of the agreement, Atlantic acquired all of AS' assets except for outstanding accounts receivable as of the transaction date. In addition, Atlantic assumed all of AS' liabilities except for any that may arise from the excluded outstanding accounts receivable. The purchase price for the transaction was $1. Since Atlantic and AS were entities under common control, accounting principles generally accepted in the United States of America require Atlantic to report its operations as if the transaction occurred at the beginning of the earliest period presented.

AMV and AS are continuing-care retirement communities (CCRC) located in Gaithersburg, Maryland and Calvert County, Maryland, respectively. BV and SH are CCRCs located in Mechanicsburg, Pennsylvania and Erie, Pennsylvania, respectively. Cash transferred from Asbury Atlantic to ACOMM during 2019 and 2018 was not required at Asbury Atlantic to fund daily operations, meet debt covenants, or fulfill regulatory requirements. This cash transfer policy has been approved by the board of directors.

BV has a Housing Management Agreement with Bethany Development Corp. (BDC), a 149-unit affordable housing (HUD) community in Mechanicsburg, Pennsylvania. BV provides administrative and accounting services to BDC. BV has no economic interest in the property. Accordingly, Asbury Atlantic does not consolidate the financial statements of BDC into Asbury Atlantic's combined financial statements. On August 1, 2016, ACOMM entered into an affiliation agreement with BDC. ACOMM will serve as the supporting organization of BDC.

ACOMM serves as the supporting organization of Asbury Atlantic; Inverness Village, an Oklahoma nonprofit corporation (IV) (until the sale of substantially all of IV assets on October 31, 2019); Asbury, Inc. (Asbury Place) and Affiliate; Asbury Communities HCBS, Inc. (HCBS); and Calvert County Nursing Center (CCNC) (until the sale of CCNC assets on October 1, 2018). ACOMM is the sole voting stockholder of The Asbury Group, Inc. (TAG). ACOMM is the sole member of Asbury Foundation, Inc. (AFOUND).

Principles of Combination

The accompanying combined financial statements include the accounts of AMV, AS, BV, and SH. All significant intercompany transactions have been eliminated in the combined financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash, 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 combined balance sheets that sum to the total of the same such amounts shown in the combined statements of cash flows at December 31, 2019 and 2018:

	2019	2018
Cash	$ 1,880,093	$ 1,936,479
Restricted Cash Included in Current Investments Held under Bond Indenture	5,702,981	10,778,528
Restricted Cash Included in Long-Term Investments Held under Bond Indenture	14,837,996	18,843,228
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	$ 42,270,316	$ 51,534,759

Accounts Receivable

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

Under the Medicare and Medicaid reimbursement and other third-party agreements, amounts collected for services to patients under these agreements are computed at contractually agreed-upon rates. Accounts receivable have been adjusted to reflect the difference between charges and the reimbursable amounts under these third-party contracts. Revenues from Medicare and Medicaid programs and other third-party agreements accounted for approximately 24% and 23% of total net resident-service revenues for the years ended December 31, 2019 and 2018, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

Substantially all investments are held in an investment account with ACOMM. The investment pools are comprised of equity securities or equity mutual funds, bonds or bond mutual funds and cash. The equity securities and the related unrealized gains or losses are recorded above income from operations. The fixed income securities and other types of investments and their related unrealized gains or losses are recorded below income from operations.

The investments are managed by an investment advisor (the Advisor). In addition, investments held under bond indenture 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 are allocated to Asbury Atlantic based on its proportion of its underlying holdings. The portion of investments that is available to fund current operating activities is included in current assets in the accompanying 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 Asbury Atlantic's proportional share of 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 the 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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

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

Atlantic's proportionate share is included in investment income in the accompanying statements of operations and changes in net (deficit) assets.

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

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 ACOMM continues to meet its objectives, the Company has established rebalancing guidelines and established mechanisms for ongoing monitoring of performance and risk.

Derivatives Policy

Asbury Atlantic 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 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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Net Assets of AFOUND

Asbury Atlantic records an interest in the net assets of AFOUND resulting from restricted contributions without donor restrictions and with donor restrictions that are solicited and held by AFOUND to be used for the benefit of Asbury Atlantic.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets-operating lease and lease liability-operating leases, and finance leases are included in right-of-use (ROU) assets-financing and lease liability-financing, if any, in the combined 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 financing costs during the period of construction of capital assets are capitalized as components of the cost of acquiring those assets.

Advertising Expenses

The cost of advertising is expensed when incurred and included within the general and administrative financial statement line item within the statements of operations and changes in net deficit. Advertising expense was $1,123,283 and $1,127,673 for the years ended December 31, 2019 and 2018, respectively.

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 Asbury Atlantic.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensation and Related Items

Accrued compensation and related items include a reserve for the self-funding arrangement for workers' compensation coverage for AMV, AS and SH prior to March 1, 2018. Beginning March 1, 2018, AMV, AS and SH began participating in a fully insured arrangement BV is covered under a separate fully insured plan. See Note 14 for additional information.

Continuing-Care Contracts

Asbury Atlantic 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.

Asbury Atlantic periodically reviews the present value of the net cost of future services and use of facilities to be provided to current residents under continuing-care contracts and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with a corresponding charge to income. As a result of this calculation, the present value of the net cost of future services and use of facilities did not exceed deferred revenue from resident entrance fees; accordingly, no obligation was recorded for the years ended December 31, 2019 and 2018.

Resident Services Revenue

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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.

Asbury Atlantic offers five types of resident entrance fee options: a standard declining refund option, a 50% refundable option, a 90% refundable option, a 100% refundable option, and a nonrefundable option. Previously BV offered an additional standard nine-year declining refund and a 25% refundable option. 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.

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

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.

The nonrefundable entrance fees are classified as deferred revenue and are recognized as revenue on a straight-line basis over each individual resident's, or couple's, expected remaining life, adjusted annually (time-based measurement).

Refundable entrance fees are recorded in the accompanying combined 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 amounts 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 1 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	$ 4,143,941	$ 4,788,596
Contingent Refundable Entrance Fees	$ 177,483,955	$ 179,184,527
Entrance Fees - Deferred Revenue:		
25% to 90% Refundable Contracts	$ 5,261,938	$ 5,053,420
Standard Entrance Fee Option Contracts:		
Five-Year Contracts	164,387,144	161,027,441
Nine-Year Contracts	2,336,225	2,835,268
Nonrefundable Contracts	161,607	180,842
Total	172,146,914	169,096,971
Less: Projected Refund of Standard Entrance Fees	(4,978,019)	(5,064,717)
Total Entrance Fees - Deferred Revenue	$ 167,168,895	$ 164,032,254
Total Entrance Fees	$ 348,796,791	$ 348,005,377

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 $251,082,926 and $254,022,694, respectively. Asbury Atlantic also records revenue related to resident room and board, which, depending upon 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.

The composition of resident services by primary payor for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Medicaid	$ 16,365,715	$ 14,586,889
Medicare	15,334,027	15,715,343
Managed Care	1,091,827	1,104,196
Private Pay	105,760,865	103,089,033
Total Resident Services Revenue	$ 138,552,434	$ 134,495,461

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

The composition of net resident service revenue based on its service lines, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2019 and 2018 are as follows:

	2019				
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Total
Service Lines:					
Skilled Nursing Facility	$ 32,856,581	$ 6,124,564	$ 9,620,691	$ 9,379,137	$ 57,980,973
Assisted Living	13,387,416	2,118,957	8,223,632	1,979,765	25,709,770
Independent Living	30,315,264	9,307,602	9,522,138	5,386,499	54,531,503
Retail Sales	44,957	52,226	161,496	71,509	330,188
Total	$ 76,604,218	$ 17,603,349	$ 27,527,957	$ 16,816,910	$ 138,552,434
Method of Reimbursement:					
Fee for Services	$ 76,559,261	$ 17,551,123	$ 27,366,461	$ 16,745,401	$ 138,222,246
Retail Sales	44,957	52,226	161,496	71,509	330,188
Total	$ 76,604,218	$ 17,603,349	$ 27,527,957	$ 16,816,910	$ 138,552,434
Timing of Revenue and Recognition:					
Health Care Services Transferred Over Time	$ 76,559,261	$ 17,551,123	$ 27,366,461	$ 16,745,401	$ 138,222,246
Sales at Point in Time	44,957	52,226	161,496	71,509	330,188
Total	$ 76,604,218	$ 17,603,349	$ 27,527,957	$ 16,816,910	$ 138,552,434

	2018				
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Total
Service Lines:					
Skilled Nursing Facility	$ 33,364,420	$ 5,631,225	$ 9,604,480	$ 9,136,119	$ 57,736,244
Assisted Living	12,469,124	2,099,239	7,435,365	2,050,841	24,054,569
Independent Living	28,906,158	8,870,503	9,147,842	5,468,576	52,393,079
Retail Sales	47,696	42,291	143,215	78,367	311,569
Total	$ 74,787,398	$ 16,643,258	$ 26,330,902	$ 16,733,903	$ 134,495,461
Method of Reimbursement:					
Fee for Services	$ 74,739,702	$ 16,600,967	$ 26,187,687	$ 16,655,536	$ 134,183,892
Retail Sales	47,696	42,291	143,215	78,367	311,569
Total	$ 74,787,398	$ 16,643,258	$ 26,330,902	$ 16,733,903	$ 134,495,461
Timing of Revenue and Recognition:					
Health Care Services Transferred Over Time	$ 74,739,702	$ 16,600,967	$ 26,187,687	$ 16,655,536	$ 134,183,892
Sales at Point in Time	47,696	42,291	143,215	78,367	311,569
Total	$ 74,787,398	$ 16,643,258	$ 26,330,902	$ 16,733,903	$ 134,495,461

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Charity Care

Asbury Atlantic's policy is to track those expenses for residents in its facilities who cannot pay for all or a portion of their care and to define these expenses as charity care. Because Asbury Atlantic does not pursue collection of amounts determined to qualify as charity care, they are not reflected as revenue in the accompanying financial statements. Benevolent and charity care provided to residents for the years ended December 31, 2019 and 2018 was $2,493,079 and $2,281,371, 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				2018			
	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.
Total Skilled Nursing Center Occupancy	96%	95%	91%	86%	95%	94%	91%	84%
Medicaid	33%	29%	51%	37%	30%	30%	43%	40%
Medicare	15%	8%	21%	13%	21%	7%	21%	15%
Private Pay and Other	52%	63%	28%	50%	49%	63%	36%	45%

Contributions

Unconditional promises to give cash and other assets to Asbury Atlantic 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 restricted support if they are received with 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, these net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the 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 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 1 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. They are primarily available to purchase equipment, provide charity care and for other health and educational services.

Net assets with donor restrictions that are perpetual in nature are amounts held by AFOUND and BV for the benefit of Asbury Atlantic, Inc. These net assets are held by AFOUND's unrestricted investment portfolio with the objectives of providing long-term growth of capital and maximizing the return on assets over the long term while diversifying investments within asset classes to reduce the impact of losses in single investments. The income from which is unrestricted and has been expended to support benevolent care.

Income from Operations

The accompanying combined statements of operations and changes in net deficit include income from operations, which is the Asbury Atlantic's performance indicator. Changes in net deficit without donor restrictions, which are excluded from income from operations, consistent with industry practice, include unrealized gains and losses on fixed income securities and other investments, net assets released from restriction used for purchase of capital items, and permanent transfers of assets to and from ACOMM for other than goods and services.

Tax Status

Asbury Atlantic members are each 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued)

ACOMM has implemented processes to ensure compliance with the Internal Revenue Service's intermediate sanctions provisions for all its supported organizations, including Asbury Atlantic. This includes an independent review by the compensation committee of the board 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 return is 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 combined financial statements as a result of the application of this standard. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

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 combined financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

Subsequent Events

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

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, the Company has a working capital of $42,373,873 and $44,887,356. Days cash on hand was 202 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	$ 1,880,093	$ 1,936,479
Investments	46,270,672	36,717,171
Accounts Receivable, Net	5,607,148	6,487,034
Other Receivables	6,987,977	14,893,696
Investments Held Under Bond Indenture	5,702,981	10,778,528
Total Financial Assets	$ 66,448,871	$ 70,812,908

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 5 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 3 REGULATORY ENVIRONMENT

Medicare and Medicaid

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Asbury Atlantic 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.

Medicare Reimbursement

The Balanced Budget Act of 1997 modified how payment is made for Medicare SNF services. SNFs 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.

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Medicare Reimbursement (Continued)

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 consists of three net operating components (resident care, other resident-related, and administrative) and one capital component. The net operating components are based upon 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 home's Pennsylvania Medicaid residents and rebased annually on July 1 of each year. The Company has utilized actual rates in the preparation of the combined financial statements.

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Pennsylvania Medicaid Reimbursement (Continued)

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

Other

ACOMM and affiliates participate in a system wide Voluntary Compliance Program instituted by ACOMM. This program is based on the elements of an effective program identified by the Office of Inspector General of the Department of Health and Human Services. The program includes a dedicated compliance officer, board oversight, written policies and procedures, a code of conduct, continuous education, periodic auditing, and an associate hotline.

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

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 is applicable to residents of BV under continuing-care agreements.

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements (Continued)

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

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 under construction be held in escrow. These funds are held in cash and cash equivalents.

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

State of Maryland Statutory Reserves

The state of Maryland requires Asbury Atlantic to set aside reserves equal to 15% of its net operating expenses (as defined) for the most recent fiscal year. 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

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

NOTE 4 CONCENTRATION OF CREDIT RISK

Asbury Atlantic 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 is as follows as of December 31:

	2019	2018
Private Pay	53 %	55 %
Medicaid	22	15
Medicare	14	17
Other (Primarily Managed Care and Insurance)	12	13
Total	100 %	100 %

NOTE 5 INVESTMENTS

Asbury Atlantic's proportional share of the ACOMM investment portfolios, including assets whose use is limited and investments restricted by the board at fair value consisted of the following as of December 31:

	2019	2018
Investments:		
Cash and Short-Term Investments	$ 346,435	$ 447,652
Fixed-Income Securities and Mutual Funds	19,702,513	18,543,191
Equity Securities and Equity Mutual Funds	26,221,724	17,726,328
Investment in Land	-	134,192
Total Investments	$ 46,270,672	$ 36,851,363
Investments Restricted by Donors:		
Cash and Short-Term Investments	$ 268,115	$ 202,265
Fixed-Income Securities and Mutual Funds	2,982,828	2,559,270
Equity Securities and Equity Mutual Funds	8,686,888	7,235,594
Real Estate Mutual Funds	81,212	167,877
Total Investments Restricted by Donors	$ 12,019,043	$ 10,165,006
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	$ 20,540,977	$ 29,621,756
Statutory Reserves:		
Cash and Short-Term Investments	$ 19,849,246	$ 19,976,524
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

NOTE 5 INVESTMENTS (CONTINUED)

Investments held under bond indenture are maintained for the following purposes as of December 31:

	2019	2018
Debt Service Fund	$ 4,437,684	$ 10,972,698
Debt Service Reserve Fund	16,103,293	18,649,058
Total	20,540,977	29,621,756
Less: Current Portion	(5,702,981)	(10,778,528)
Long-Term Portion of Bond Indenture	$ 14,837,996	$ 18,843,228

The total return on investments, along with investments held under bond indenture, statutory reserves, and investments restricted by, including the change in the market value of derivative instruments, generated net board investment income and earnings for the years ended December 31, 2019 and 2018 as follows:

	2019	2018
Included Within Asbury Atlantic's Performance Indicator:		
Interest and Dividend Income, Net	$ 3,633,719	$ 4,247,876
Net Realized Loss on Investments	(657,939)	(826,480)
Net Unrealized Gain (Loss) on Equity Security Investments	9,234,645	(4,817,098)
Net Unrealized Change in Market Value of Derivative Instruments	(67,413)	11,052,203
Total	12,143,012	9,656,501
Included in Other Changes in Net Deficit:		
Other Unrealized Gain (Loss) on Fixed Income Securities and Other Investments	97,244	(278,411)
Total	$ 12,240,256	$ 9,378,090

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

ACOMM engages professionals to manage its investment portfolio within guidelines of ACOMM's board-approved investment policy. Management 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, Asbury Atlantic did not identify any other than temporary declines in the fair value of investments.

NOTE 6 BENEFICIAL INTEREST IN NET ASSETS OF FOUNDATIONS

AFOUND was established to solicit, receive, hold, invest, and reinvest donations and bequests, which are made primarily for the benefit of AMV, AS, IV (until the sale of the assets), SH, BV, AP, CCNC (until the sale of the assets), and HCBS. Asbury Atlantic records an interest in the net assets of AFOUND resulting from contributions without donor restrictions and contributions with donor restrictions that are solicited and held by the foundation to be used for the benefit of Asbury Atlantic. Asbury Atlantic's beneficial interest in the net assets of AFOUND was $26,288,527 and $26,915,051 as of December 31, 2019 and 2018, respectively. The balance sheet of AFOUND consisted of the following at December 31:

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 53,001	$ 67,630
Investments	3,237	2,010
Pledges Receivable, Net	482,006	628,174
Prepaid Expenses and Other Assets	2,247	1,049
Total Current Assets	540,491	698,863
Property and Equipment, Net	17,567	22,325
Investments Restricted by Donor	26,803,136	21,360,393
Pledge Receivable, Net	2,548,671	2,016,132
Due from ACOMM, Net	-	5,309,890
Funds Held in Trust	1,852,579	1,807,828
Total Assets	$ 31,762,444	$ 31,215,431
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 1,705	$ 148
Due to ACOMM, Net	1,808,007	-
Obligations under Charitable Gift Annuities	3,408,638	3,576,943
Total Liabilities	5,218,350	3,577,091
NET ASSETS		
Without Donor Restrictions	-	150,000
With Donor Restrictions	26,544,094	27,488,340
Total Net Assets	26,544,094	27,638,340
Total Liabilities and Net Assets	$ 31,762,444	$ 31,215,431

NOTE 6 BENEFICIAL INTEREST IN NET ASSETS OF FOUNDATIONS (CONTINUED)

AFOUND's investments, stated at fair value, consist primarily of cash, bonds or bond mutual funds and equity securities or equity mutual funds. Assets held under charitable gift annuities consist of funds contributed to trusts managed by AFOUND, with the stipulation that specified distributions, primarily based on the income generated by the invested funds, be distributed to a life beneficiary specified by the donor. The obligations under charitable gift annuities are based on the net present value of future payments to the beneficiary based on the discount rate that estimates the remaining life of the benefactor. Upon the death of the life beneficiary, the existing funds will be available for use by AMV, AS, IV (until sale of the assets), SH, BV, and HCBS.

NOTE 7 OBLIGATION UNDER CHARITABLE GIFT ANNUITIES

BV is the beneficiary of various charitable gift annuities created by donors, the assets for which BV is the trustee. BV has legally enforceable rights on claims to such assets after the donor's or current beneficiary's death. The present value of these obligations, based on the donor's or current beneficiary's life expectancy, is recorded as a permanently restricted net asset.

Obligations related to charitable gift annuities issued by 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 restrictions in the combined statements of operations and changes in net deficit. The present value of the liability is calculated using the five-year United States Treasury Bond rate. This rate was 1.69% and 2.51% at December 31, 2019 and 2018, respectively. Changes in the present value of the accompanying obligation are shown as changes in values of charitable gift annuities in the combined statements of operations and changes in net deficit.

NOTE 8 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31:

	2019	2018
Land and Improvements	$ 43,886,050	$ 43,201,839
Buildings and Improvements	509,144,711	494,299,200
Furniture and Equipment	49,711,883	46,570,520
Construction in Progress	9,212,672	1,323,625
Total	611,955,316	585,395,184
Less: Accumulated Depreciation	(328,004,383)	(304,838,987)
Property and Equipment, Net	$ 283,950,933	$ 280,556,197

Depreciation expense on property and equipment was $24,847,989 and $23,812,071 for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 PROPERTY AND EQUIPMENT (CONTINUED)

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

NOTE 9 RELATED PARTY TRANSACTIONS

Due to/from ACOMM

ACOMM and its affiliates use treasury and payroll functions to make the process of receiving and disbursing cash more efficient. In order to allocate the appropriate amounts between the affiliates, ACOMM utilizes intercompany accounts to move funds between the facilities. During the year, these intercompany accounts will fluctuate in order to reflect changes in cash flow, outstanding checks, or other cash movements between affiliates. However, in addition to the daily fluctuations, the intercompany accounts will also reflect the cumulative effect of the following types of transactions:

- Accrued Paid Time Off (PTO) – By utilizing the payroll function, all salaries and withholdings are processed through ACOMM. ACOMM also calculates, tracks, and accrues the amounts due to employees relating to available PTO for each payroll period. This accrual does not affect the cash of the affiliates until the balance is actually paid out to the employees and is not cleared out of the intercompany accounts until paid. The intercompany account then will retain an amount equal to the accumulated value of unused PTO for each affiliate.

- Deferred Management Fees – From time to time, management fees may be deferred by ACOMM to its affiliates in order to meet bond covenant requirements. These fees can be recouped by ACOMM in subsequent periods when financial performance warrants reducing or eliminating the deferral. The cumulative effect of these deferrals will be included in the affiliate intercompany account. The Management Services Agreement between ACOMM and its affiliates contains language that requires ACOMM to defer its management fee if certain financial covenants are not met at each of the affiliates. For 2019 and 2018, no management fees were deferred in order to maintain bond covenant compliance.

Longer term advances from one affiliate to another are subject to repayment terms agreed to by governing boards of both affiliates. These advances are accounted for in the intercompany accounts.

AFOUND has intercompany receivables on their books from the affiliates. Periodically, cash gifts are received directly by an affiliate. To the extent that the gift is restricted for some future use, it may be recorded on the books of the related foundation. Until the cash is transferred to a foundation investment account, it will be reflected as a due from affiliate.

NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

Due to/from ACOMM (Continued)

- Cumulative Cash Flow – Some facilities will have accumulated negative cash flow, as any cash needs supplemented by ACOMM will also be included in the intercompany account. Cumulative positive cash flow levels will periodically be transferred to more permanent investment vehicles of the respective affiliate's books.

- Cash Management – Entities supported by ACOMM share a common cash management function. Operating cash of the group is swept daily to accommodate investment of excess cash flow. Operating cash payments, including borrowings and payments of intercompany loans and balances, are made through the same sweep account. At any time, depending upon the timing of receipts, disbursements and other investment activity, members of the group may temporarily overdraw their share of the common operating cash. The balance of cash and cash equivalents includes Asbury Atlantic's share of the common operating cash and amounts held in their individual 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 risk.

ACOMM is the conduit for all intercompany transactions; accordingly, due to and due from accounts from the affiliate point of view will always be either due to or due from ACOMM. All intercompany accounts bear interest at short-term interest rates and are uncollateralized.

Prior Equity Contributions – In 1994 and 1996, AMV made equity contributions, totaling $3,451,578, to AS for the construction of the AS facility, which was completed in 2002. In 1997, AS voluntarily agreed to return the equity contributions when certain financial benchmarks were reached. Specifically, by action of the AS board, it was agreed that AS would return the funds at such time as achieved a Cash and Investments to Debt Ratio of 45%, matching the CCAC median for accredited continuing care retirement communities. Accordingly, these amounts are not recorded as Due to ACOMM in the financial statements because it was not a loan, and unless and until such time as the Cash and Investments to Debt Ratio reach 45%, AS will not return this equity contribution to AMV.

AMV and AS have combined as an obligated group for purposes of debt issuance and related obligations. Accordingly, AMV and AS, as an obligated group, are jointly and severally obliged to meet all debt service requirements for the Obligated Group.

Management Fees

Asbury Atlantic received administrative services from ACOMM under a management agreement at a cost of $12,122,663 and $13,430,151 in 2019 and 2018, respectively. Included in the administrative services is an information technology fee. Management and information technology fees are allocated to all affiliates based upon a pro rata share of revenues. The payment of management fees to ACOMM is subordinate to all obligations of Asbury Atlantic under all of Asbury Atlantic's secured loan agreements.

NOTE 10 LONG-TERM DEBT

Long-term debt consisted of the following:

	Interest Rate	Maturity 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 2012 PA Bonds	Fixed Rate Revenue Bonds	2013 - 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
Subtotal			220,184,000	231,100,000
Unamortized Bond Premium/Discount on Bonds, Net			12,878,219	9,363,942
Unamortized Bond Financing Costs			(3,030,075)	(3,763,303)
Current Portion			(6,451,441)	(5,735,000)
Total Bonds Payable			223,580,703	230,965,639
Note Payable			263,798	776,917
Loan Payable			3,666,667	5,666,667
Current Portion Note Payable and Loan Payable			(1,921,357)	(2,513,119)
Total Note Payable			2,009,108	3,930,465
Total Long-Term Debt			$ 225,589,811	$ 234,896,104

Series 2019 Maryland (MD) Bonds

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 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 factor.

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.

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%.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Series 2019 Pennsylvania (PA) Bonds (Continued)

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 2014A Maryland (MD) Bonds

On April 9, 2014 the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg. Under this agreement, the City of Gaithersburg issued $15,290,000 of Economic Development Refunding Revenue Bonds, Series 2014 (referred to as 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 required 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.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Series 2012 Pennsylvania (PA) Bonds

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

The proceeds of the Series 2012 Bonds were used to refund the PA 2006 bonds, to fund a deposit to the Combined Debt Service Reserve Fund on the PA Bonds and to pay a portion of the costs of issuance of the Series 2012 PA Bonds.

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

Series 2010 Pennsylvania (PA) Bonds

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

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.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Series 2009B Maryland (MD) Bonds

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

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

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

For financial statement purposes, AMV and AS have allocated the liability for payment of principal and interest on the bonds in an amount equal to the proportion of the bonds used to refund debt at each respective facility.

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.

Series 2006 Maryland (MD) Bonds

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

On December 16, 2009, the Series 2006B and Series 2006C Bonds outstanding were refunded from the proceeds of the Series 2009B Bonds.

The 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.

NOTE 10 LONG-TERM DEBT (CONTINUED)

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 of deferred financing costs is included in interest expense and totaled $239,436 and $248,001 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 ($669,744) and ($304,418) for the years ended December 31, 2019 and 2018, respectively.

Liens and Covenants

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

The Asbury Maryland Obligated Group and the Pennsylvania Obligated Group are 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.

Note Payable

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

Loan Payable

In conjunction with termination of the Series 2006 Forward Contract and AS Interest Rate swap as disclosed in Note 11, Asbury Maryland Obligated Group also entered into two separate term loans, a $7,500,000 term loan and a $6,000,000 term loan. As of December 31, 2018, the $7,500,000 term loan was paid off in full, and as of December 31, 2019 and 2018, there is $3,666,667 and $5,666,667, respectively, outstanding on the other term loan.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Debt Maturities

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

Year Ending December 31,	Amount
2020	$ 8,372,798
2021	9,250,667
2022	8,596,000
2023	9,860,000
2024	10,165,000
Thereafter	177,870,000
Total	$ 224,114,465

NOTE 11 DERIVATIVE INSTRUMENTS

Previously, the Company's affiliates entered into various swap and forward-rate purchase agreements with certain investment companies, which reduce their exposure to volatility of interest rates on debt. Under these agreements, beginning on the effective date, the Company's affiliates pay a fixed rate of interest, as noted in the following table, 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 in the accompanying combined statements of operations and changes in net deficit. The notional amounts decline over time to hedge the interest rate exposure for the Company. These agreements are with investment companies that have investment grade credit ratings from Standard & Poor's and Moody's. These agreements have provisions that if the investment company falls below certain investment grade ratings, the investment company is required to either obtain a replacement investment company or post collateral equal to or more than the value of the derivative instrument.

Asbury Atlantic entered into a Forward Contract concurrent with the issuance of the Series 2006 bonds. Under this agreement, Asbury Atlantic paid a fixed rate of interest of 5.128% and received 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 paid a fixed rate of interest based on a floating rate derived from the Securities Industry and Financial Markets Association Municipal Swap Index and received payments based on a floating rate based upon 73.5% of LIBOR. The swap agreements were terminated on June 28, 2018.

Asbury Atlantic entered into a 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.

NOTE 11 DERIVATIVE INSTRUMENTS (CONTINUED)

The following is a schedule outlining the terms and fair market values of the derivative instruments on December 31, 2019:

	Interest Rate Swap	Series 2006 Forward Contract	Series 2019A	Series 2019B	Total
Notional Amount - December 31, 2019	$ -	$ -	$ 10,999,000	$ 4,995,000	
Trade Date	8/13/2001	12/8/2006	11/8/2019	11/8/2019	
Effective Date	8/23/2001	1/1/2013	11/8/2019	11/8/2019	
Termination Date	6/28/2018	6/28/2018	11/1/2023	11/1/2027	
Fixed Rate	0.9194%	5.128%	2.226%	2.309%	
Fair Value - December 31, 2017	$ (89,779)	$ (24,501,944)	$ -	$ -	$ (24,591,723)
Unrealized Gain	74,119	10,978,084	-	-	11,052,203
Termination Due To Redemption	15,660	13,523,860	-	-	13,539,520
Fair Value - December 31, 2018	-	-	-	-	-
Unrealized Loss	-	-	(19,740)	(47,673)	(67,413)
Fair Value - December 31, 2019	$ -	$ -	$ (19,740)	$ (47,673)	$ (67,413)

Asbury Atlantic has included the fair market value of derivative instruments as a liability of ($67,413) and $-0- in the accompanying combined balance sheets as of December 31, 2019 and 2018, respectively. Net unrealized gains (losses) on derivative instruments were ($67,413) and $11,052,203 in 2019 and 2018, respectively.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were $33,797,380 and $34,477,548 as of December 31, 2019 and 2018, respectively. Included in net assets with donor restrictions are investments to be held in perpetuity totaling $30,007,751 and $29,198,674 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 permanently restricted net assets is as follows:

	2019	2018
Endowment Fund - Beginning of Year	$ 29,198,674	$ 27,501,262
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	862,724	1,735,141
Changes in Value of Obligations under Charitable Gift Annuities	(53,647)	(37,729)
Endowment Fund - End of Year	$ 30,007,751	$ 29,198,674

NOTE 13 RETIREMENT PLAN

ACOMM and affiliates sponsor a defined contribution plan (the Plan) under IRC Section 401(k). All full-time employees of ACOMM and affiliates are eligible to participate in the Plan. Employees may elect to defer up to $19,000 of base salary, subject to certain limitations. The employer's basic contribution is 3% of compensation for each eligible employee. ACOMM will also match the employee's contribution up to 2% of the employee's base salary. The employer's contribution expense for the years ended December 31, 2019 and 2018 was $1,875,544 and $1,852,654, respectively.

NOTE 14 COMMITMENTS AND CONTINGENCIES

General and Professional Liability Insurance

ACOMM and its affiliates have a general and professional liability insurance policy (GL/PL), which is claims-made based. The GL/PL coverage has a limit of $1,000,000 per occurrence and a $3,000,000 annual aggregate. ACOMM and its affiliates also have excess coverage in effect with a limit of $10,000,000 per claim and a $30,000,000 annual aggregate. This policy has been renewed through December 31, 2020. Any losses for general and professional liability not currently covered by insurance in force are not expected to be material to the financial statements.

Caring Communities, a Reciprocal Risk Retention Group

In 2009, ACOMM and its affiliates began participating in an insurance risk retention group, Caring Communities, a reciprocal Risk Retention Group (CCrRRG) licensed by the District of Columbia for purposes of obtaining the following insurance coverage: (1) primary general and professional liability, (2) excess general and professional liability, and (3) excess auto liability. CCrRRG provides insurance coverage to its members, which are 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.

ACOMM executed a subscription agreement and made capital contributions in exchange for an interest in a CCrRRG Charter Capital Account. Through December 31, 2019, ACOMM'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, which is covered under a separate church group Workers' Compensation Trust, entered into a fully insured arrangement for workers' compensation coverage beginning March 1, 2018 and has been renewed through February 28, 2021. Prior to March 1, 2018, the Company and its affiliates, excluding BV, have entered into a self-funding arrangement for workers' compensation coverage beginning February 1, 2013.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Workers' Compensation Insurance (Continued)

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

ACOMM and affiliates maintain a self-funding arrangement for health insurance coverage. ACOMM and affiliates have stop-loss coverage up to $200,000 per participant and an annual aggregate of approximately 100% of expected claims with a maximum reimbursement of $2,000,000. The annual aggregate coverage amount 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 financial position or results of operations.

Lease Commitments

Asbury Atlantic 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.

Total lease costs for the years ended December 31, 2019 and 2018 was $1,310,021 and $1,241,700, respectively.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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	$ 639,675
2021	387,861
2022	173,759
2023	94,416
2024	27,471
Total	1,323,182
Less: Interest Expense	(35,993)
Amounts Recognized in the Combined Balance Sheets	$ 1,287,189

NOTE 15 FUNCTIONAL EXPENSES

Asbury Atlantic provides continuing and long-term care for the aging. Expenses related to providing these services were as follows as of December 31:

	2019		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 51,184,871	$ -	$ 51,184,871
Employee Benefits	10,591,572	-	10,591,572
Contract Labor	10,532,138	-	10,532,138
Food Purchases	5,982,790	-	5,982,790
Medical Supplies and Other Resident Costs	5,382,019	-	5,382,019
General and Administrative	-	3,418,479	3,418,479
Building and Maintenance	15,227,855	-	15,227,855
Professional Fees and Insurance	1,373,315	-	1,373,315
Interest	-	11,970,776	11,970,776
Taxes	-	3,768,456	3,768,456
Provision for Bad Debts	623,143	-	623,143
Depreciation and Amortization	-	24,980,692	24,980,692
Management and Other Fees	-	11,822,066	11,822,066
Total Functional Expenses	$ 100,897,703	$ 55,960,469	$ 156,858,172

NOTE 15 FUNCTIONAL EXPENSES (CONTINUED)

	2018		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 49,395,863	$ -	$ 49,395,863
Employee Benefits	11,252,035	-	11,252,035
Contract Labor	10,260,586	-	10,260,586
Food Purchases	5,874,781	-	5,874,781
Medical Supplies and Other Resident Costs	5,282,320	-	5,282,320
General and Administrative	-	3,182,267	3,182,267
Building and Maintenance	12,997,444	-	12,997,444
Professional Fees and Insurance	1,257,792	-	1,257,792
Interest	-	13,963,393	13,963,393
Taxes	-	3,503,351	3,503,351
Provision for Bad Debts	1,155,784	-	1,155,784
Depreciation and Amortization	-	23,951,188	23,951,188
Management and Other Fees	-	13,090,429	13,090,429
Total Functional Expenses	$ 97,476,605	$ 57,690,628	$ 155,167,233

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

NOTE 16 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.

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables set forth by level within the fair value hierarchy Asbury Atlantic'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	$ 41,039,108	$ -	$ -	$ 41,039,108
Fixed Income Securities and Mutual Funds	24,649,186	-	-	24,649,186
Equity Securities and Mutual Funds	37,531,973	-	-	37,531,973
Real Estate Mutual Funds	81,212	-	-	81,212
Total	$ 103,301,479	$ -	$ -	$ 103,301,479
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	$ 50,299,696	$ -	$ -	$ 50,299,696
Fixed Income Securities and Mutual Funds	23,235,743	-	-	23,235,743
Equity Securities and Mutual Funds	27,001,229	-	-	27,001,229
Real Estate Mutual Funds	167,877	-	-	167,877
Total	$ 100,704,545	$ -	$ -	$ 100,704,545

NOTE 17 SUBSEQUENT EVENT

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 Asbury Atlantic, 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 Asbury Atlantic 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.

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

ASSETS	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
CURRENT ASSETS						
Cash and Cash Equivalents	$ 87,650	$ 199,420	$ 892,116	$ 700,907	$ -	$ 1,880,093
Investments	37,418,787	872,354	6,737,919	1,241,612	-	46,270,672
Accounts Receivable, Net	3,683,517	468,563	810,480	644,588	-	5,607,148
Other Receivables and Prepaid Expenses	2,985,404	1,705,936	2,011,400	285,237	-	6,987,977
Investments Held Under Bond Indenture	2,092,449	311,700	2,579,077	719,755	-	5,702,981
Total Current Assets	46,267,807	3,557,973	13,030,992	3,592,099	-	66,448,871
Due from ACOMM, Net	50,832,254	7,825,059	9,138,746	-	(3,448,870)	64,347,189
Property and Equipment, Net	145,657,425	40,694,563	78,257,990	19,340,955	-	283,950,933
Right-Of-Use Assets - Operating Leases	750,001	56,798	276,653	203,737	-	1,287,189
Investments Restricted by Donors	-	-	12,019,043	-	-	12,019,043
Deposits and Other Assets	784,513	-	79,525	5,188	-	869,226
Investments Held Under Bond Indenture	7,300,330	1,253,989	5,028,322	1,255,355	-	14,837,996
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
Beneficial Interest in Net Assets of Foundation	16,377,931	2,730,471	6,827,735	352,390	-	26,288,527
Total Assets	$ 281,947,720	$ 59,080,862	$ 131,297,941	$ 25,642,108	$ (3,448,870)	$ 494,519,761

ASBURY ATLANTIC, INC.
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET DEFICIT	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	$ 1,762,104	$ 73,486	$ 245,348	$ 165,520	$ -	$ 2,246,458
Accrued Compensation and Related Items	351,704	159,489	-	96,349	-	607,542
Accrued Interest Payable	2,083,367	305,781	982,107	291,725	-	3,662,980
Obligations Under Charitable Gift Annuities	-	-	89,401	-	-	89,401
Deposits from Prospective Residents	2,277,924	330,630	1,035,890	172,788	-	3,817,232
Entrance Fees - Refundable	2,091,800	330,300	541,890	1,179,951	-	4,143,941
Deferred Revenue	350,858	72,429	52,893	36,406	-	512,586
Current Portion of Lease Liabilities - Operating Leases	422,280	30,900	89,870	79,010	-	622,060
Current Portion of Long-Term Debt	3,492,642	3,151,358	1,415,124	313,674	-	8,372,798
Total Current Liabilities	12,832,679	4,454,373	4,452,523	2,335,423	-	24,074,998
Due to ACOMM, Net	-	-	-	3,448,870	(3,448,870)	-
Long-Term Lease Liabilities - Operating Leases	327,721	25,898	186,783	124,727	-	665,129
Long-Term Debt, Less Current Portion	98,152,456	18,083,631	85,833,056	23,520,668	-	225,589,811
Projected Refund of Standard Entrance Fees	2,211,081	1,172,234	1,139,877	454,827	-	4,978,019
Contingent Refundable Entrance Fee Liability	115,091,113	27,245,387	17,459,740	17,687,715	-	177,483,955
Entrance Fees - Deferred Revenue	85,689,753	33,100,902	40,668,932	7,709,308	-	167,168,895
Obligations Under Charitable Gift Annuities	-	-	240,993	-	-	240,993
Valuation of Derivative Instruments	55,729	11,684	-	-	-	67,413
Total Liabilities	314,360,532	84,094,109	149,981,904	55,281,538	(3,448,870)	600,269,213
NET ASSETS (DEFICIT)						
Without Donor Restrictions	(48,790,742)	(27,743,718)	(33,020,552)	(29,991,820)	-	(139,546,832)
With Donor Restrictions	16,377,930	2,730,471	14,336,589	352,390	-	33,797,380
Total Net Deficit	(32,412,812)	(25,013,247)	(18,683,963)	(29,639,430)	-	(105,749,452)
Total Liabilities and Net Deficit	$ 281,947,720	$ 59,080,862	$ 131,297,941	$ 25,642,108	$ (3,448,870)	$ 494,519,761

ASBURY ATLANTIC, INC.
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
REVENUES, GAINS, AND OTHER SUPPORT						
Net Resident Service Revenue	$ 76,604,218	$ 17,603,349	$ 27,527,957	$ 16,816,910	$ -	$ 138,552,434
Other Operating Revenue	1,131,705	132,574	579,915	89,905	-	1,934,099
Amortization of Entrance Fees	11,115,885	4,935,119	4,883,962	1,368,954	-	22,303,920
Interest and Dividend Income, Net	2,271,909	259,384	979,192	123,234	-	3,633,719
Net Realized Loss on Investments	(370,944)	(30,373)	(239,718)	(16,904)	-	(657,939)
Net Unrealized Gain on Equity Security Investments	5,332,403	425,171	3,240,444	236,627	-	9,234,645
Allocations from Asbury Foundation, Inc.	4,591,706	636,422	1,071,349	70,488	-	6,369,965
Total Revenues, Gains, and Other Support	100,676,882	23,961,646	38,043,101	18,689,214	-	181,370,843
EXPENSES						
Salaries	29,416,831	5,644,062	9,252,768	6,871,210	-	51,184,871
Employee Benefits	5,768,129	1,237,313	2,066,425	1,519,705	-	10,591,572
Contract Labor	6,023,345	1,372,978	1,819,926	1,315,889	-	10,532,138
Food Purchases	3,474,427	837,136	911,359	759,868	-	5,982,790
Medical Supplies and Other Resident Costs	3,290,993	495,609	1,036,529	558,888	-	5,382,019
General and Administrative	1,977,708	529,320	498,628	412,823	-	3,418,479
Building and Maintenance	8,067,315	2,006,266	3,727,818	1,426,456	-	15,227,855
Professional Fees and Insurance	741,236	177,720	291,877	162,482	-	1,373,315
Interest	4,188,040	1,191,287	5,159,378	1,432,071	-	11,970,776
Taxes	1,969,663	764,859	871,050	162,884	-	3,768,456
Provision for Bad Debts	605,069	(6,586)	53,120	(28,460)	-	623,143
Depreciation and Amortization	15,487,856	2,978,052	4,668,030	1,846,754	-	24,980,692
Management and Other Fees	6,953,241	1,439,654	2,068,110	1,361,061	-	11,822,066
Total Expenses	87,963,853	18,667,670	32,425,018	17,801,631	-	156,858,172
INCOME FROM OPERATIONS PRIOR TO NET UNREALIZED LOSS ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON RETIREMENT OF DEBT, AND LOSS ON DISPOSAL OF ASSETS	12,713,029	5,293,976	5,618,083	887,583	-	24,512,671

ASBURY ATLANTIC, INC.
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS						
Income from Operations Prior to Net Unrealized Loss on Change in Market Value of Derivative Instruments, Loss on Retirement of Debt, and Loss on Disposal of Assets	$ 12,713,029	$ 5,293,976	$ 5,618,083	$ 887,583	$ -	$ 24,512,671
Net Unrealized Loss on Change in Market Value of Derivative Instruments	(55,729)	(11,684)	-	-	-	(67,413)
Loss on Retirement of Debt	(89,037)	(129,123)	(1,613,961)	(412,262)	-	(2,244,383)
Loss on Disposal of Assets	-	-	(126,602)	-	-	(126,602)
INCOME FROM OPERATIONS	12,568,263	5,153,169	3,877,520	475,321	-	22,074,273
Transfers to ACOMM	(602,000)	-	(582,000)	-	-	(1,184,000)
Net Unrealized Gain on Fixed Income Securities and Other Investments	32,159	2,803	60,721	1,561	-	97,244
Net Assets Released from Restrictions Used for Purchase of Capital Items	25,067	500	250,477	1,778,469	-	2,054,513
NET DECREASE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS	$ 12,023,489	$ 5,156,472	$ 3,606,718	$ 2,255,351	$ -	$ 23,042,030

ASBURY ATLANTIC, INC.
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Asbury Atlantic, Inc.
CASH FLOWS FROM OPERATING ACTIVITIES					
Changes in Net Deficit	$ 12,137,946	$ 5,673,010	$ 3,675,587	$ 875,319	$ 22,361,862
Adjustments to Reconcile Changes in Net Deficit to					
Net Cash Provided by Operating Activities:					
Provision for Bad Debts	605,069	(6,586)	53,120	(28,460)	623,143
Depreciation and Amortization of Deferred Marketing Costs	15,487,856	2,978,052	4,668,030	1,846,754	24,980,692
Amortization of Deferred Financing Costs	101,026	52,713	67,352	18,345	239,436
Amortization of Bond Premium/Discount	(602,653)	(65,378)	(530)	(1,183)	(669,744)
Amortization of Entrance Fees	(11,115,885)	(4,935,119)	(4,883,962)	(1,368,954)	(22,303,920)
Net Proceeds from Nonrefundable Entrance and Advance Fees	11,214,501	6,575,293	7,990,435	1,905,200	27,685,429
Net Unrealized Gains on Investments	(5,364,562)	(427,974)	(3,301,165)	(238,188)	(9,331,889)
Loss on Disposal of Assets	-	-	126,602	-	126,602
Loss on Retirement of Debt	89,037	129,123	1,613,961	412,262	2,244,383
Net Unrealized Loss on Change in Market Value					
of Derivative Instruments	55,729	11,684	-	-	67,413
Changes in Beneficial Interest in Net Assets of Foundation	(114,458)	(516,537)	(122,514)	1,380,033	626,524
Transfers to ACOMM	602,000	-	582,000	-	1,184,000
Changes in Value of Obligations under Charitable Gift Annuities	-	-	53,647	-	53,647
Changes in Assets and Liabilities:					
Accounts Receivable	(193,335)	121,620	211,098	117,360	256,743
Other Receivables and Prepaid Expenses	(474,332)	(82,657)	(163,446)	(72,733)	(793,168)
Deferred Entrance Fees	9,259,304	523,395	(1,083,815)	-	8,698,884
Other Assets	95,305	-	34,083	595	129,983
Deferred Revenue	(134,387)	25,904	(20,759)	(68,284)	(197,526)
Accounts Payable and Accrued Expenses	(56,032)	(96,775)	90,345	20,974	(41,488)
Accrued Interest Payable	804,903	(185,103)	(1,591,520)	(408,827)	(1,380,547)
Net Cash Provided by Operating Activities	32,397,032	9,774,665	7,998,549	4,390,213	54,560,459

ASBURY ATLANTIC, INC.
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Methodist Village	Asbury Solomons	Bethany Village	Springhill	Asbury Atlantic, Inc.
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property and Equipment, Net	$ (21,701,577)	$ (1,276,553)	$ (2,487,283)	$ (3,036,617)	$ (28,502,030)
Sale (Purchase) of Investments, Net	(1,392,254)	167,806	(1,024,549)	(89,913)	(2,338,910)
Net Cash Used by Investing Activities	(23,093,831)	(1,108,747)	(3,511,832)	(3,126,530)	(30,840,940)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	10,192,240	4,600,712	2,292,506	1,016,000	18,101,458
Proceeds from Issuance of Debt	9,493,059	6,515,941	47,333,844	12,146,156	75,489,000
Premiums from Issuance of Debt	-	-	2,693,354	691,131	3,384,485
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(14,995,502)	(3,666,117)	(2,147,163)	(1,596,202)	(22,404,984)
Payments on Debt	(2,802,736)	(3,042,266)	(2,035,231)	(407,889)	(8,288,122)
Redemption of Debt	(6,385,131)	(9,259,869)	(51,714,695)	(13,270,305)	(80,630,000)
Redemption of Derivative Instruments	-	-	-	-	-
Payments for Deferred Financing Costs	(143,632)	(208,298)	(476,778)	(122,344)	(951,052)
Payments on Obligations under Charitable Gift Annuities	-	-	(74,332)	-	(74,332)
Change in Due to ACOMM, Net	(4,447,914)	(6,887,936)	(4,251,573)	(838,992)	(16,426,415)
Transfers to ACOMM	(602,000)	-	(582,000)	-	(1,184,000)
Net Cash Used by Financing Activities	(9,691,616)	(11,947,833)	(8,962,068)	(2,382,445)	(32,983,962)
DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(388,415)	(3,281,915)	(4,475,351)	(1,118,762)	(9,264,443)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	22,425,989	7,796,111	16,625,496	4,687,163	51,534,759
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 22,037,574	$ 4,514,196	$ 12,150,145	$ 3,568,401	$ 42,270,316
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash Paid for Interest	$ 3,884,764	$ 1,389,055	$ 6,684,076	$ 1,823,736	$ 13,781,631